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ABSTRACT

This monograph aims at presenting information and suggestions on alternative provisions and procedures for planning and effecting needed changes in education. It outlines the kinds of studies that need to be made to facilitate rational planning, describes how these studies should be conducted, and identifies the personnel to make the studies. Although the major focus is on effecting improvements in provisions for financing schools, many of the observations and suggestions should be helpful to State officials and legislators, planning agencies, and other groups concerned with studies and proposals relating to provisions for all aspects of education. The subjects covered include (1) organization for State planning and coordination: some alternatives; (2) organization and procedures for planning and effecting improvements in education; (3) studies of educational needs and programs; (4) studies of financial provisions and needs; (5) analysis of alternatives; and (6) constitutionality of alternative models. Related documents are ED 036 007, ED 052 514-515, ED 052 548, and ED 059 525. (Author/JF)

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PLANNING

SCHOOL FINANCE PROGRAMS

A Study Guide

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National Educational Finance Project*

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INTRODUCTION

The allocation of financial resources for the support of public education is a continuing responsibility not only of state and local governments but also of the federal government. Critical decisions relating to provisions for financing schools are being made annually, biennially and sometimes on a continuing basis. Unfortunately, most of these decisions are made without giving adequate consideration to long-range educational and fiscal planning.

Every state in the nation has made some studies of school finance during the past ten years. Most of these studies, however, have been made without the benefit of appropriate research or any consistent relationship to long-range planning. State legislatures meet annually or biennially and every legislature has one or more committees concerned with education. *However, most of these committees have neither the funds nor the time* to do the research needed to guide them in decision making on school finance or other aspects of education.

Several state governors have appointed lay committees or mixed lay and professional committees to make school surveys or to conduct school finance studies. Some states have employed management consultant firms to study and make recommendations on education or school finance. In other states, state departments of education or state education associations have undertaken studies of school finance or other aspects of education. Some of these studies have resulted in improved provisions; others have had little or no impact.

What kinds of information are needed by governors, state legislatures and state and local boards of education if they are to make rational and defensible decisions relating to school finance or other aspects of education? What kinds of studies need to be made to facilitate rational planning, how should they be made, and who should make them? The purpose of this monograph is to present information and suggestions on alternative provisions and procedures for planning and effecting needed changes in education. Although the major focus is on effecting improvements in provisions for financing schools, many of the observations and suggestions should be helpful to state officials and legislators, planning agencies or commissions, and other groups concerned with studies and proposals relating to provisions for all aspects of education.

The authors of this monograph have relied primarily on materials developed by the National Educational Finance Project and the project concerned with Improving State Leadership in Education, but have utilized information and insights from many other sources. We are particularly indebted to Kern Alexander and Forbis Jordan for writing Section 7 of this publication.

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SECTION I

Why Improvements Are Needed

Since this nation was established, most of the national, state and local leaders have strongly believed in the value and importance of education for everyone. For example, the Ordinance of 1785 reserved one section in each township in the Northwest Territory "for the maintenance of public schools," and the Ordinance of 1787 stated: "Religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall be forever encouraged."

Recent studies and statements by economists and other authorities have emphasized the increasing importance of adequate and appropriate provisions for education for all citizens in a rapidly changing and increasingly complex society, and have stressed the benefits to the communities, states and the nation, as well as to the individuals involved.[1]

The kind and quality of education needed and provisions for its financial support under modern conditions differ in many important respects from those considered suitable even a few years ago. Although many improvements have been made as conditions and needs have changed, the evidence is clear that even more substantial and significant changes are imperative and that expedient or patchwork adjustments will not suffice to meet either present or emerging needs. It appears that the only way to avoid increasing inequities, inadequacies and dissatisfactions is for every state and local school system and the federal government to become seriously involved in systematic long-range planning for the improvement of all aspects of education.

Several states and some local school systems, from time to time, have developed and implemented systematic plans for improving some provisions for education and financial support, but most seem to have become so enmeshed in attempting to

[1] Johns, Roe L., Irving J. Goffman, Kern Alexander and Dewey H. Stollar, Eds. *Economic Factors Affecting the Financing of Education*, Gainesville, Fla: National Educational Finance Project, Vol. 2, 1970.

deal with immediate problems and crisis situations that little attention has been devoted to the development of long-range plans including the identification of goals and the establishment of priorities. However, much has been learned about the process of planning and considerable progress has been made in a number of states during the past few years.

THE ROLE OF BELIEFS AND VALUES

Although adequate factual data and other valid information are essential if planning is to be realistic and meaningful, all evaluations of present provisions for education and all proposals for improving the educational program and the financial support of the schools are based on the fundamental beliefs and values held by the people and their leaders. These values and beliefs may be reinforced or modified when new evidence becomes available or new insights are developed. Educational policies, therefore, should be reexamined from time to time in a serious effort to determine the extent to which those policies are consistent with the basic values and beliefs of the people.

In every state, one of the first steps in preparing to develop plans should be to state clearly and discuss fully the basic beliefs and values relating to education that seem to be held by a majority of the citizens, and to attempt to reach agreement on goals that are consistent with those basic values and beliefs. The following are among the most important beliefs relating to education generally held by the informed citizens in all states:

1. We should provide at public expense, adequate and appropriate educational opportunities for everyone through at least the secondary schools or the equivalent.
2. Public education should help to remove traditional caste and class barriers and to facilitate social mobility.
3. Every child, regardless of race, the economic condition of his parents or other factors should have an adequate opportunity to develop his talents in order that he may have full access to the benefits of, and make optimum contributions to, the social, political and economic system of the nation.
4. The provisions for the organization, operation and support of schools should be designed to ensure adequate and equitable educational opportunities for all

students.

5. The provisions for financing schools should be designed to ensure equity for all taxpayers.
6. The quality of education provided for public school children and youth should be primarily a function of the taxable wealth of the state and the nation rather than of the local school district in which they live.
7. The funds provided for the support of education should be utilized insofar as practicable to ensure optimum returns on the investment made.
8. The citizens of a state and their representatives as well as those directly involved in the process of education should be held accountable for the educational output.
9. The provisions for education and its support as well as the programs and procedures utilized must be modified as found necessary to meet the needs of a changing society.
10. All changes in or affecting education should be carefully and systematically planned after considering feasible alternatives and probable consequences; they should not be made as the result of expedient decisions or actions.

DIFFERENCES BETWEEN BELIEFS AND PRACTICES

Many people in most societies have found it much easier to state intentions or to make promises than to follow through with appropriate accomplishments. Thus, there is often a marked difference — a dangerous gap — between what most people say they believe and what is actually done. As Willis Harman[2] has observed, in this country, this difference tends to result in confusion, disillusionment, frustration and dissension or perhaps, in some cases, even in an unwillingness to admit that the practices are not consistent with the beliefs.

Do we really believe that education in this society is as important as we have always claimed it to be? If so, the citizens of every state have an obligation to cooperate in a major effort to identify the existing gaps and take steps to ensure that the goals, policies and practices are consistent with the beliefs and

[2]Willis W. Harman, "The Nature of Our Changing Society: Implications for Schools," pp. 64 and 65. (Prepared for the ERIC Clearinghouse on Educational Administration, Eugene, Oregon, October, 1969).

values that we have commonly accepted and discussed with so much pride.

Although some states have made considerable progress toward eliminating the gaps, in others and in many local school systems there has been little progress. The evidence shows clearly that such unfortunate conditions as those discussed below exist to some extent in most states.

1. Adequate and appropriate educational opportunities are not provided for many students.
2. Public education, thus far, has facilitated social mobility only to a limited extent.
3. Many children do not have either an equal or an adequate opportunity to develop their talents.
4. Present provisions for financing schools do not ensure equality of educational opportunities or equity for taxpayers.
5. The provision of educational opportunities tends to be primarily a function of the taxable wealth of the district in which students reside rather than of the state.
6. The laws require, or at least condone, segregation of students on the basis of the boundaries and wealth of the district in which they reside, and perpetuate inequities for taxpayers and inequalities in opportunities for students by indefensible provisions for financing schools.
7. The expenditure of some of the funds provided for the support of education does not result in optimum returns on the investment.
8. Accountability for educational results often has been more a matter of "passing the buck" than the acceptance of shared responsibility by legislators, state and local officials, educators, parents and other citizens.
9. Many of the provisions for education and its support have not been modified to meet the needs of a changing society.
10. Many changes made in education have resulted from expedient decisions and actions and have not been carefully planned.
11. Some laws and policies tend to protect the concerns of special-interest groups or to develop or prevent — rather than to encourage — needed changes in education.

12. Some provisions of the school finance laws discourage desirable district reorganization or desirable reorganization of school attendance centers.

Do any of these or other gaps exist in your state? If so, how serious are they and what should be done about them?

SECTION II

Organization for State Planning and Coordination: Some Alternatives[1]

Every state, as well as every other unit of government, has always found it necessary to do some kind of planning for its functions and services, but unfortunately many have not planned either wisely or well. Many people are now convinced that (1) if better planning had been done in the past, some of the major problems we are currently facing might have been avoided or mitigated; and (2) more effective long and short-range planning by every unit of government is now essential if chaos, or perhaps even catastrophe, is to be avoided during the coming years.

Planning can and should result in: (1) identifying long and short-range goals, objectives and priorities in advance in order to improve the direction and formulation of programs; (2) providing a sound basis for determining unmet needs; (3) encouraging and improving the analysis of alternative courses of action so the processes of selection can be better guided toward long-range goals; and (4) directing more attention to the long-range and immediate budgetary implications of alternative courses of action.[2]

The kind of organization developed and the procedures utilized for planning at the state level have many important implications for education and its financial support in every state. It is important, therefore, that everyone interested in education and the progress of the state understand the implications, including the possible advantages and disadvantages of alternative ways of organizing for and conducting

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[1] For further discussion, see Edgar L. Morphet, David L. Jesser and Arthur P. Ludka, *Planning and Providing for Excellence in Education*, (Denver, Colorado: Improving State Leadership in Education, 1971), Ch. 4.

[2] Robert P. Huefner, *Strategies and Procedures in State and Local Planning*, in *Planning and Effecting Needed Changes in Education*, (Denver, Colo.: Designing Education for the Future, 1967), p. 16.

planning as well as the forces and factors that may be influential.

The planning policies and processes are potentially very important in terms of the development of a state and the well being of its citizens. It should not be surprising, therefore, that in many situations there seems to be a continuing effort by various factions of groups to control or significantly influence the planning mechanism and procedures. Such efforts — characteristic of the political processes in a democracy — may be concerned with attempts to limit or to encourage bona fide planning, or to restrict or to expand governmental services. When the concept of *bona fide* planning has been accepted and is utilized in a state, however, vested-interest or partisan-political influences can and should be reduced to a minimum.

MAJOR ALTERNATIVES

For various reasons, the states have not yet agreed upon the best organization to ensure effective state planning or the coordination of planning and budgeting provisions in a state. Perhaps such agreement may never be practicable because of the factors and conditions that differ to some extent among the states.

Some provisions or arrangements for state planning that are currently utilized in one or more states are discussed briefly below. Each has some important implications for educational planning and for provisions for financial support of education. In each instance the potential advantages and disadvantages for the state and for education need to be carefully considered. The situation in some states is complicated and sometimes confused, however, by controversies over whether the agencies or groups established should be primarily responsible to the legislature, to one branch of the legislature, to the governor, or to both the legislature and the governor. It seems that the latter may have some advantages over the other alternatives.

Which of these alternatives is utilized in your state? What seems to be its strengths and weaknesses?

A Central Agency for All State Planning

One alternative is for each state to establish a permanent bureau, commission or agency, staffed by competent people, that would be responsible for *all* planning and long-range budgetary proposals for or relating to all state agencies, programs and activities. Such an arrangement may seem to offer a simple way to resolve the increasingly complex problems faced by most states. In theory, such a central agency should have considerable merit primarily because it can and should be staffed by competent experts in planning and should be in a position to ensure that all state planning is effectively conducted and coordinated. However, the development and functioning of such an organization involves a number of problems and may result in some disadvantages that should be carefully considered. For example, it could easily become a powerful and unwieldy bureaucracy that would include, as members of its staff, experts in all areas of state concern including education. Moreover, all other state agencies including the state education agency, could be deprived of the opportunity to participate in planning their own functions, programs and services, and thus be reduced to the administration of the relatively routine functions assigned to them.

Each State Agency or Bureau Responsible for Planning

In most states, until recently, the assumption has been made that each agency should be responsible for any planning that is done in the areas with which it is concerned. Some of these agencies have devoted considerable attention to long-range planning; others have done little *bona fide* planning except perhaps for the ensuing year or biennium with emphasis on budgetary needs or requests. Under this arrangement, the full responsibility for coordination rests with the governor and/or the legislature, and the primary emphasis has usually been placed on reconciling budgetary requests — often on a political basis and with limited attention to long-range planning, goals and priorities.

Although the disadvantages of this procedure under modern conditions should be obvious, it seems likely that it will be retained in essence in some states as long as it appears to the

governor, the legislature, or to most citizens, to be working reasonably well.

Authorization of Special Studies

From time to time in most states, the governor, the legislature or both create, establish or authorize the formation or the selection of groups or organizations that are charged with the responsibility of making special studies of some important problem or in some area such as education. In fact, in a few states, each branch of the legislature and even the governor has sometimes authorized or established a group or committee to make independent studies of elementary and secondary education or of school finance in the state. Such studies have often resulted in findings and recommendations that have been helpful. But when these groups set about to collect information that is already available in state offices or submit recommendations that are in conflict with those made by other special study groups, they add to the existing confusion and misunderstandings and tend to retard rather than to facilitate the solution of important problems. There will probably continue to be a place and need periodically for special groups and studies in major problem areas but such studies should always be carefully designed to (1) be cooperative rather than competitive, (2) utilize and supplement information already available and (3) enhance, strengthen and coordinate the long-range planning efforts and thrust in the state.

An Organization or Agency for the Facilitation and Coordination of State Planning

As previously indicated, every state finds it necessary to provide for some coordination of long-range planning and budgetary proposals through a central planning agency (as affected by decisions by the governor and/or legislature), directly by the governor and the legislature, or in some other way. In states without formal or effective provisions for coordination, some of the agencies with closely related interests — such as those concerned with education, health and social services — on their own initiative, have established informal channels and procedures for communication and collaboration. But, because of personality differences or other

factors, these procedures have not always ensured effective coordination in developing long-range plans. For these and other reasons, many states have established a special organization or agency for the coordination of state planning. This agency is assigned the responsibility for making studies which cannot be done effectively by individual agencies, for assisting all state agencies in developing long-range plans, and for working with these agencies continuously in coordinating planning activities. With this arrangement, the governor and the legislature must continue to assume the major responsibility for basic policy decisions, but they can and should be relieved of the responsibility for attempting to consider and deal with minor issues and confusing details.

When an effective organization or agency has been established for the facilitation and coordination of state planning, it can and should assist each of the regular agencies such as the state education agency by: (1) providing experts to help them design and conduct major studies; (2) maintaining a data bank and facilities that would enable them to have access to and analyze information that might otherwise be difficult to obtain; (3) assisting them in developing planning competencies, designs and procedures; (4) helping them as the planning progresses to evaluate the adequacy of the plans; and (5) providing continuous assistance in coordinating the goals, priorities and other relevant matters with those of other agencies that have similar interests and concerns.

The personnel of any state or local agency almost inevitably will be more interested in helping to implement plans they have been primarily responsible for developing or helping to develop than those developed or imposed by another group. Under the arrangement discussed in this section, the state education agency would be primarily responsible for developing and implementing the policies and plans for its own functions and services as well as for providing the leadership and services needed to ensure the development of adequate and realistic plans for the improvement at least of elementary and secondary education in the state.

What provisions are made in your state for the facilitation and coordination of state planning? How do these affect the planning for education and its financing? In what respects should they be changed?

COORDINATION RELATING TO PRIORITIES AND SHORT-RANGE BUDGETARY PROPOSALS

In a state in which adequate long-range plans have been developed, goals and priorities agreed upon and needed revisions are made periodically, the priorities and budgetary proposals for the ensuing year or biennium should be consistent with and contribute to the implementation of these plans. The agency or organization responsible for the facilitation and coordination of state planning should help to ensure that this is the case and thus help to simplify and rationalize this aspect of the decision making responsibilities of the governor and the legislature.

> *How are the priorities and short-range budgetary proposals coordinated in your state? How do these procedures affect the provisions for financing education?*

SECTION III

Organization and Procedures for Planning and Effecting Improvements in Education

Traditional provisions for the organization, operation and financial support of education are no longer considered adequate because:

1. The American society has changed rapidly during recent years and will continue to change in many important aspects.
2. Recent studies and developments have provided new evidence and insights regarding deficiencies and inadequacies in learning environments, opportunities and procedures and in provisions for the organization, operation and support of education in many areas.
3. Not only lay citizens but also many educators and students are insisting that prompt attention be given to needs, inefficiencies and irrelevancies that have long been ignored.

In fact, many people are now insisting on *excellence* in all aspects and at all levels of education for all students and are demanding that legislators, state and local officials and boards of education, as well as educators be held responsible and accountable for continuously improving the quality as well as the adequacy of education in all areas of the state.

These developments mean that every state must become seriously involved in systematic long-range planning for the improvement of all aspects of education, in the effective implementation of the plans to bring about needed changes, and in the continuous evaluation of progress being made in effecting improvements. It also means that adequate financial support will be essential but in many cases probably will not be provided until the citizens are convinced that substantial progress is being made in improving the effectiveness and efficiency of education and the arrangements for providing education.

THE CHANGING ROLE OF STATE EDUCATION AGENCIES[1]

Traditionally, state education agencies in most states have been expected primarily to establish and enforce minimum standards, assemble and disseminate information regarding developments and status, assist schools — especially those in rural and small town areas — with some of their problems, and perhaps suggest some urgently needed changes in elementary and secondary education and in provisions for financial support. Until recently, relatively little attention has been given to long-range planning for the improvement of education, and the major thrust for changes — especially for increased financial support — has often come from educational organizations and other interested groups.

This situation has changed significantly during the past few decades. In many states the citizens are insisting that the legal responsibility of the state for education be fully recognized and implemented and that a serious effort be made to eliminate existing inadequacies and inefficiencies. This means that *the major responsibility of every state education agency in the future must be to provide the leadership and services needed to plan and effect improvements in education and to evaluate and report on progress and unmet needs.* Several state education agencies, with the support of the legislature and concerned citizens, have already moved rapidly in that direction. They have carefully planned and reordered their own functions and priorities, reorganized and reoriented their staff, and — with funds and other resources provided by the legislature and the federal government — are devoting major attention to long-range planning and helping to effect changes and evaluate progress.

But a state education agency and its staff *should not* expect or attempt to determine and impose the goals for education in the state or the procedures (alternatives) to be utilized in attaining the goals. The citizens are so deeply concerned about education that they will and should insist that they have an

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[1] See *Emerging State Responsibilities for Education, Planning and Providing for Excellence in Education,* and the related "popular" monographs, *Directions to Better Education* and *Directions to Excellence in Education,* Edgar L. Morphet, David L. Jesser and Arthur P. Ludka, eds. (Denver: Improving State Leadership in Education, 1970 and 1971).

opportunity to participate in decisions that will vitally affect them, their children and the state and nation.

The staff members of state education agencies should be expected to (1) make studies that will help to identify problems and needs and their implications; (2) make or help to make analyses and studies such as those suggested in Sections IV and V of this publication; (3) attempt to identify and make generally available pertinent information concerning promising practices and developments in the state and elsewhere; (4) provide information and suggestions relating to feasible alternatives relating to the organization and procedures for planning and effecting improvements in education including goals, practices and so on; and (5) assist in every feasible and appropriate way with the processes of planning, implementation and evaluation of progress.

ALTERNATIVE PROVISIONS AND PROCEDURES FOR COMPREHENSIVE PLANNING

At least once every decade in a rapidly changing society, every state will need to make a systematic effort to revise and modernize its plans for education. Even though planning should be a continuous process and minor revisions should be made as needed, some aspects tend to become outdated or inconsistent with others and only a systematic review of the entire plan in the light of recent and prospective developments can meet the needs of the state.

Every state should have *a plan for planning improvements in education* and this plan will need to be revised from time to time as conditions change. This observation is pertinent even in states that have a central agency for all state planning, because some safeguards are needed — especially in an area as important as education — to ensure that the plans are realistic and adequate.

What is the best approach to planning and effecting improvements in education? There are many feasible alternatives, but most people would probably agree that the most promising would provide adequate opportunity for both lay citizens and educators or their representatives to become sufficiently well informed that they can reach intelligent conclusions, and to participate in making the major decisions relating to purposes, goals, priorities and procedures. Some of

the alternatives that have been utilized are discussed briefly in the paragraphs that follow. The potential value, including the advantages and disadvantages of each, should be carefully considered in each state before any decision is made concerning the procedures to be utilized.

Contracting with a Consulting Firm or Other Experts

Some governors, legislators, state planning agencies, and even state education agencies have used, and will probably continue to contract with, consulting firms or other outside experts to do their planning. This may be done because it seems to offer an easy solution to complex and troublesome problems, or because there is doubt as to whether there are enough competent people in the state to make the studies and develop defensible proposals. But this procedure usually is expensive and the outcomes have frequently been disappointing. The basic difficulty is similar to the problems faced by a central agency for state planning or a state education agency that might develop excellent plans for improving education without involving representative citizens and other concerned persons. The task of convincing the citizens that the plans developed by the "experts" are the most defensible that could be devised may become as difficult and formidable or even more so than that of developing the plans. Many states and other agencies have wasted considerable sums of money by contracting for the development of plans that were never implemented.

Studies and Proposals by Organizations

In most states there are a number of organizations (for example, education associations or teachers' federations, taxpayers' associations, parent-teacher associations, leagues of women voters and chambers of commerce) that might welcome an opportunity to develop plans for improving certain aspects of education. Some have made studies from time to time and developed proposals relating to provisions for financing schools or other matters. Probably relatively few citizens, however, would be willing to depend on any group that might be considered as having any vested interests to develop comprehensive plans for improving education.

A Special Commission or Group to Make Studies and Develop Comprehensive Plans

Many states have, from time to time, appointed a special commission or committee charged with the responsibility of making an extensive study of education or of developing comprehensive long-range plans for improving education. Some of these groups, when properly organized and provided with adequate resources, have made significant contributions. This approach seems to hold considerable promise, provided proper safeguards are established and observed. If there is any valid reason for the citizens to suspect that the group has been assigned any "hidden agenda" or told what conclusions to reach, its efforts may be fruitless.

The following are some of the commonly accepted guidelines and safeguards relating to any such commission or group. This commission should:

1. Be comprised of from 15 to 25 competent lay citizens and educators who are:
   a. Recognized as people who are deeply interested in education, relatively free from bias and able to reach defensible conclusions on the basis of all pertinent information;
   b. Officially appointed by the governor, the legislature, the state board of education — or preferably agreed upon by representatives of all three — to serve until the responsibilities assigned have been completed (usually about two years); and
   c. Expected and willing to serve as members of a policy and coordinating body that assumes the responsibility for all major decisions and recommendations.
2. Appoint several (normally 5 to 10) study committees, each of which is to assume the responsibility for sponsoring or conducting studies in the area to which it is assigned and for preparing a report including recommendations relating to goals, priorities and feasible alternatives and developing proposals for ensuring implementation and evaluation of progress. Each study committee should usually consist of a chairman and 10 to 14 competent educators and lay

citizens some of whom should have special competencies in the area assigned. These areas usually include: goals and objectives; needs assessment; the learning environment, opportunities and procedures; the curriculum; personnel and staffing; facilities and special services including transportation; district organization and functions; provisions for financial support; evaluation and accountability; the role, functions and relations of the state education agency; and perhaps other areas of special significance in the state.

3. With the assistance of the staff, consultants, study committees and others, seek to identify the legal and other constraints that tend to retard or prevent progress and to develop ways and means to eliminate or minimize these handicaps.
4. Select and appoint a competent study and planning director to coordinate all studies and activities and, with his assistance, select and appoint competent staff members and consultants from the state department of education and universities or elsewhere to assist the director, the study committees and the commission with studies and proposals.
5. Encourage and assist local school systems, educational institutions and other important groups concerned with education in the state to suggest matters for consideration; react to tentative findings and proposals of the study committees and the commission, and to develop long-range plans for their respective programs and services.
6. Supervise and coordinate the work and progress of the study committees and utilize their findings and proposals as a basis for preparing its own report and recommendations.

SPECIAL STUDIES AND PLANNING IN MAJOR AREAS

Every state education agency should develop and implement an appropriate plan for coordinating, sponsoring and conducting — with the cooperation of institutions of higher learning, local school systems and other groups — research and other studies designed to contribute to: (1) an appraisal of various aspects of the comprehensive plan to determine what

adjustments should be made; (2) the solution of major emerging or unresolved problems; and (3) the analysis of other developments that seem to have implications for education.

From time to time the governor, a legislative committee, the state board of education or some other agency or group in a state may conduct or authorize a study of some important aspect of education. For example, under present conditions, many people are concerned about inequities in property taxes levied for schools, in apportionment formulas and in other similar matters. Such special studies should, insofar as feasible, be designed to contribute to integrated over-all planning and to the updating of plans in the area with which the study is concerned.

THE ROLE OF CONSULTANTS

Every state group concerned with planning needs to consider carefully (1) when to seek and utilize the services of consultants, (2) how consultants can be utilized effectively, and (3) what kinds of consultants can be most helpful in a given situation. Many kinds of consultants from private firms, management or business organizations, universities, state departments of education and other groups are available. Some of them know how to work effectively with groups concerned with educational planning, but others do not. The kinds of consultants most likely to be needed by planning groups range from systems analysts, computer and management information specialists through curriculum, instruction, learning and evaluation experts, and specialists in school finance. The kinds of consulting services needed will be related to some extent to the qualifications and competencies of commission and study group members and members of the staff.

Every consultant should be expected, and should expect to help the group with which he is working to identify the problems and the most effective ways of working on them and arriving at appropriate and rational solutions. His most important role is to help the group meet its responsibilities — not to attempt to do the work — or to solve the problems for them.

EFFECTING NEEDED CHANGES IN EDUCATION

The major purpose of comprehensive and systematic long-range planning is to help to ensure that continuous

improvements will be made in education in order to: (1) eliminate the gaps between what we say we believe and present provisions and practices; and (2) meet effectively the needs of the rapidly changing society in which we live. Fortunately, many educational and other leaders now recognize that when representative citizens have had an opportunity to participate in the process of planning improvements in education, they develop a better understanding of the problems and needs than might otherwise be possible and, as a result, tend to support defensible proposals for needed changes.

Every person involved in, or concerned about, education — especially if he is involved in planning — needs to understand reasonably well the processes of change and the forces and factors that tend to facilitate or to retard changes in education. He also needs to recognize that if any institution or agency fails to meet the needs of a changing society, it will sooner or later be modified or replaced. Education, that is basic to the self-renewal and improvement of any modern society, must continually be modified to meet emerging needs.

But most social organizations, including state education agencies and local school systems tend to resist major changes, primarily because many members feel secure in continuing with the roles to which they have been accustomed and would be insecure in a different or unknown role. Thus, many parents whose children seem to be doing well in school and educators who believe they have been successful in one kind of position or setting tend to resist any major change unless they are convinced that the change is essential or would help to bring about needed improvements. People, therefore, are more likely to cooperate in effecting a proposed change in education when they have had an opportunity to participate in studying the problems and needs and in deciding what is to be done to resolve them, than when an attempt is made to impose a change by law, by board action, or by administrative directive.

Since many important changes must be made in education in the near future, it seems essential that leading lay citizens and educational leaders at all levels make a more serious effort than ever before to help other laymen and educators to understand the problems and processes of change, the need for and advantages of proposed changes, and to find appropriate ways to involve them meaningfully in planning and effecting promptly the improvements that are so essential to education.

SECTION IV

Studies of Educational Needs and Programs

A comprehensive state school finance plan cannot be developed until fundamental policy decisions are made with respect to the following:

1. Who should be educated? That is, what target populations should be served? (For example, pre-kindergarten, kindergarten, grades 1-12 and special categories such as exceptional or handicapped, those with vocational needs, culturally disadvantaged and adult.)
2. What educational goals and objectives should be established for each of these target populations?
3. What kinds of educational programs are needed for these different target populations?

When appropriate decisions have been made concerning these important matters, the next steps would be:

1. To ascertain the present numbers of pupils in the different target populations in the state and to project for at least a ten year period the estimated number in each category.
2. To determine the numbers and percent of the pupils in each target population that is presently being served by a program designed to meet the needs of those in that category.
3. To determine the variations among districts in the percent of each target population served.
4. To determine the extent to which the overall educational goals and the goals and objectives of each target population are being attained.

This may seem like a large order indeed, but it is impossible to develop rational fiscal policies for education without first establishing educational policies and goals and determining, insofar as possible, the extent to which those policies and goals are being attained.

DETERMINING EDUCATIONAL POLICY

Let us now consider how decisions can best be made by the people or their representatives on fundamental educational policies and goals for the public schools. These decisions must be made through political processes. They are made by direct vote of the people, by local boards of education, by the state board of education and by the legislature. Although educators have access to the decision makers on educational policy and make valuable inputs into the decision making process, they do not make and should not make the final decisions on the fundamental policies. How then can the lay public or its representatives make wise decisions on educational policy? Obviously these decisions cannot be made wisely by uninformed persons. Those making the policy decisions should have access to the information necessary to choose between policy alternatives. However, the more the educational policy makers are involved in reaching the studies needed to make policy decisions, the greater the possibility they will use the information produced in these studies in their policy decisions. All too often in American education, policy decisions have been made by those who were unaware of the possible consequences of the decision at the time it was made.

Who Should Be Educated?

What types of studies can be made that will provide information useful in making fundamental educational policy decisions? It might seem that these decisions are value decisions based on philosophical beliefs and, therefore, cannot be researched. However, the consequences of *accepting and implementing a value* can be researched. Let us examine policies relating to "who should be educated?" A group studying this question might, for example, consider the consequences of:

1. Providing no public education for grades 1-12.
2. Providing no kindergarten or pre-kindergarten education.
3. Making no special provisions for educating the handicapped, the culturally deprived, those with vocational needs or adults who have not completed high school.

It might be assumed that the decisions as to who should be educated will be made in accordance with the value system imbedded in the political philosophy of the decision makers. That is only partly true. This issue can be studied in terms of costs and of benefits. Costs can be analyzed in terms of costs to the individual and costs to society. Furthermore, benefits can also be analyzed in terms of benefits to the individual and benefits to society. Costs can also be studied with respect to the costs of not providing education to specific target populations. For example, what would be the social costs for welfare, for crime or for nonproductivity? Economists in recent years have produced a number of studies bearing on these questions. Lay and professional groups studying the question of who should be educated should consider the information produced by such studies.[1]

What Educational Goals and Objectives Should Be Established for Different Target Populations of Pupils?

This is a difficult and controversial question. Lay citizens differ widely in their opinions on this matter. Even professional educators differ with each other especially with respect to the relative priority that should be given to different goals and objectives. Consensus can usually be obtained upon certain minimum reading, writing, computation and communication skills that should be achieved by all educable pupils. Consensus can also usually be attained on certain minimum socialization skills, attitudes, beliefs and values. From that point on, consensus is difficult to obtain but it *must* be sought. It is impossible to plan educational programs efficiently for different student populations or to evaluate the effectiveness of the respective programs, unless at least an operating consensus is reached on the goals and objectives of the different programs. Such questions as the following should be asked. What educational goals are appropriate for: (1) pre-kindergarten children, (2) kindergarten children, (3) non-handicapped or non-exceptional pupils in grades 1-6, (4) different types of handicapped or exceptional pupils, (5) different types of culturally disadvantaged pupils, (6) different types of vocational

[1] See, for example, *Economic Factors Affecting the Financing of Education*, Vol. 2, Johns, Roe L., Irving Goffman, Kern Alexander and Dewey Stollar, eds. Gainesville, Fla.: National Educational Finance Project, 1970.

programs, and (7) secondary youth with different goals? A statement of goals that would be equally applicable to all of these different pupil populations would be so general as to be operationally useless and it would have no value for financial planning.

Sometimes standardized tests have been used to evaluate the effectiveness of a school's program. To use the same objective test to evaluate the effectiveness of a program for pupils even at the same age level is invalid because of the great diversity of the educational needs and goals of students at all age levels. *The output of a school system should be evaluated in terms of the extent to which the goals and objectives of programs designed to meet the needs of the different pupil populations have been attained.*

What Educational Programs Are Needed for the Different Target Populations?

Numerous studies have shown that pupils vary widely in their educational needs because of differences in background, ability, interests, health and many other factors. Obviously, the same type of educational program for each age group will not meet the needs of all pupils. Lay and professional groups studying this problem should have the assistance of experts in instruction and curriculum. Fortunately, considerable literature is available dealing with alternative instructional programs for different target populations. Consultants to study groups who are expert in curriculum should bring this literature to the attention of lay study groups.[2] Both lay and professional study groups will find it profitable to visit school systems that are operating "exemplary" programs for particular target populations.

DETERMINATION OF EDUCATIONAL NEED

When an operating consensus has been reached on who should be educated at public expense, what goals and objectives

[2]The National Educational Finance Project made a number of special studies of the educational needs of different target populations and per pupil cost differentials for these programs. See *Dimensions of Educational Need*, Vol. 1, 1969 and *Planning to Finance Education*, Vol. 3, 1971. Roe L. Johns, et al., eds. Gainesville, Florida: National Educational Finance Project.

are appropriate for the different target pupil populations and what educational programs are needed for attaining those goals and objectives? It is then possible to determine needs and to make certain evaluations of how well a state is meeting its educational needs. Procedures for doing this are presented below.

Ascertaining the Numbers of Potential Students in Different Target Pupil Populations

It is essential in long-range fiscal planning to know the present and projected numbers of pupils in different age groups with differing educational needs. For example, what is the present census of children and youth in the following age groups: (1) pre-kindergarten, ages 3 and 4, (2) kindergarten, age 5, (3) elementary school age, (4) middle school or junior high school age, and (5) senior high school age? How many of these pupils at each age level: (1) are physically or mentally handicapped,[3] (2) are culturally disadvantaged, (3) need different kinds of vocational programs? The numbers of pupils in each of these target populations and in other appropriate groups with special needs should be projected for at least five and preferably ten years into the future. This information should be provided for each district as well as for the state as a whole.

Ascertaining the Percent of Each Target Population that Is Served[4]

In order to determine the state's unmet educational needs, it is necessary to ascertain the numbers and percent of pupils in each pupil population category who are presently served by educational programs appropriate to their needs, and the numbers and percent of pupils who are not so served. This information should be obtained for each district in the state and for the entire state. For example, what programs for the mentally or physically handicapped are available in each district and how many pupils in each handicapped category are served and how many unserved? The same kind of studies should be

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[3] Numbers of pupils with different types of handicaps should be identified.

[4] Suggestions for making estimates and surveys of pupils who have special educational needs are presented in Volume 3 of the National Educational Finance Project, entitled *Planning to Finance Education*.

made of vocational education, education for the culturally disadvantaged, and programs needed for adults.

Studies should also be made in each district of the adequacy or inadequacy of counseling and guidance services, instructional supervision, instructional materials, libraries, science laboratories, vocational shops, learning environments and so on.[5] Studies of this type should be made by competent personnel in state departments of education and institutions of higher learning in cooperation with knowledgeable personnel employed by local boards of education. This is extremely important information to make available to study groups and decision makers on school finance because it not only reveals the unmet educational needs of the state but it also reveals existing inequalities in educational opportunities.

Determining the Extent to Which the Goals and Objectives of the Different Target Pupil Populations Are Being Met

This is probably the most difficult problem of all. It is essentially a measure of the quality and appropriateness of educational programs provided for each category of pupil needs. It is possible to measure the attainment of certain knowledge and skills by appropriate objective tests but the results of such tests should be used with great caution in inferring satisfactory or unsatisfactory goal attainment for different target groups. For example, a given score on a reading test taken by sixth grade culturally disadvantaged pupils in an urban ghetto, might be considered as a satisfactory goal attainment for that population but the same score might be considered as an unsatisfactory goal attainment for sixth grade culturally advantaged pupils in an upper middle class suburb. Extreme caution should be exercised in comparing the measurable educational attainment of districts that differ widely in the socio-economic and cultural level of the parents of the pupils.

Frequently, school districts with a low socio-economic level also have low tax paying ability and because of the heavy reliance on local property taxes for school support in some states, the districts with the lowest socio-economic level provide less than adequate educational programs for their children.

[5] Some excellent suggestions for studies of this type can be found in the state survey by J. Alan Thomas, *School Finance and Educational Opportunity in Michigan*, Lansing, Michigan: State Department of Education, 1968.

SECTION V

Studies of Financial Provisions and Needs

The evaluation of the present provisions for financing education in a state should be based on criteria consistent with the values and beliefs discussed in Section I of this monograph. Furthermore, the projection of educational costs and plans for the improvement of the financing of schools should be consistent with the basic values and beliefs of the people.

PROJECTION OF EDUCATIONAL COSTS BASED ON NEED

Those engaged in a study of school finance in a state should make alternative projections of educational costs in a state by biennial or annual periods for at least ten years in advance. These alternative projections of educational costs should be based on alternative assumptions with respect to at least the following variables:

1. Birth rates and grade survival ratios from grade to grade.
2. Amount of immigration to the state or migration from the state.
3. The types of educational programs to be provided for target populations with differing needs and the numbers of pupils that will be in these programs.
4. Cost differentials for different types of educational programs.
5. The numbers of pupils who probably will transfer from non-public schools to public schools and vice-versa.
6. Cost differentials needed for sparsity or density of population.
7. The quality level of education to be provided.
8. The purchasing power of the dollar.

These cost projections should include proposed expenditures for all items of current expenses, capital outlay and debt service. Data needed for some of these alternative assumptions are readily available. Much research is needed to obtain the

necessary data to make alternative projections for other factors. In Section IV, it was pointed out that it is desirable to compute and project the pupil target populations with varying educational needs and to develop programs that will meet the educational needs of these different pupil populations. The next step is to compute the cost differentials needed to provide for the different kinds of educational programs needed.

Computation of Cost Differentials for Different Kinds of Programs[1]

Educational programs designed to meet the needs of various categories of pupils vary widely in per pupil cost. Special programs for exceptional (handicapped) children, vocational students and the culturally disadvantaged are "high cost" programs compared with the typical elementary and secondary instruction programs.

The Weighted Pupil Method. One widely used method of comparing the differences in cost is the so-called "weighted pupil" technique. This procedure is based on the assumption that pupil-teacher ratios are lower, and operating and capital outlay costs are greater for special education programs. When the weighting procedure is used, the weight of "1" is assigned to regular pupils in elementary schools. If it is found that the cost of educating an exceptional pupil is approximately twice the per pupil cost of regular pupils in elementary schools, then the full time pupils enrolled in classes for the exceptional education are given the weight of "2".

The following weights computed in the detailed research of NEFP illustrate the concept of weighting to determine the relative costs of educational programs:

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[1] This section is adapted largely from the monograph *Future Directions for School Financing*, Gainesville, Fla.: National Educational Finance Project, 1971. For complete information on the methodology of computing educational cost differentials, see *Planning to Finance Education*, Vol. 3, National Educational Finance Project, 1971.

TABLE 1 — Weighted Pupil Method

Educational Program	*Weight Assigned*[a]
Basic elementary grades 1-6	1.00
Grades 7-9	1.20
Grades 10-12	1.40[b]
Kindergarten	1.30
Mentally handicapped	1.90
Physically handicapped	3.25
Special learning disorder	2.40
Compensatory education	2.00
Vocational-technical	1.80

[a]The weights used by NEFP are weights derived from current practice to illustrate methods, but are *not* final. New techniques and methods may result in changes in the weightings.

[b]Some authorities on instruction insist that there is no justifiable cost differential between elementary and high schools and that a high quality elementary school costs as much per pupil as a high quality high school.

This weighting means, for example, that if the state foundation program provides $600 for an elementary pupil, 1.8 times as much or $1,080 would be provided for a student enrolled full time in vocational education. Two students enrolled one-half time in vocational classes are the equivalent of one student enrolled full-time.

The Adjusted Instruction Unit Method. Another method for determining differential costs is the "adjusted instruction unit" technique. If we assume that one instructor, supplemented by the necessary supporting staff and services, is required for each 25 non-high cost pupils in elementary schools of efficient size, then 25 pupils become an "instructional unit."

Table 2 presents the same relative weights shown in Table 1 but in Table 2, the weighting is developed by alloting lower pupil-teacher ratios to the higher cost programs.

TABLE 2 — Adjusted Instruction Unit Method

Educational Program	*Pupils per Instructional Unit*[a]
Basic elementary grades 1-6	25.00
Grades 7-9	20.83
Grades 10-12	17.86
Kindergarten	19.23
Mentally handicapped	13.16
Physically handicapped	7.69
Compensatory education	12.50
Vocational-technical	13.89

[a]See footnote for Table 1.

Each state should compute its own cost differentials for different types of programs because these differentials change with changes in educational policies and programs.

All items of current expense except such items as transportation and school food service can be computed in terms of weighted pupils or adjusted instruction units.

Alternative levels of support and quality should be projected, for example, $600, $700, $800 or more per weighted pupil, or $15,000, $17,500 or $20,000 or more per adjusted instruction unit.

Transportation. The costs of transportation will depend largely upon the policies established by the state with respect to the services rendered. For example, should transportation be furnished to pupils living more than one mile from school, one and one-half miles or two miles? Should differences in distances from school vary with age groups? Should differences vary with respect to traffic hazards or to the physical condition of children? Will transportation of pupils be used to obtain a racial balance in schools? Study groups should consider carefully the implications and consequences of these policies.

Estimates of transportation costs can be made by using different assumptions with respect to policies which affect the numbers of pupils to be served. Costs are also affected by the density of pupils per route mile or per square mile of area

served. All significant variables should be considered in projecting transportation costs.[2]

School Food Service. The costs of this program should be projected in terms of alternative assumptions with respect to the percent of pupils served, with different funding policies. Alternative projections should then be made with respect to the percent of pupils that will probably be served if:

1. The state and local boards of education provide the minimum funds required to meet the matching requirements of the National School Lunch Act.
2. The state supplements federal assistance to the extent necessary for all needy children to receive either a free or reduced priced lunch.
3. In addition to providing free lunches to needy children, the state provides varying amounts of money per lunch served for all children, ranging for example, from five cents to the amount needed to supplement federal funds to the extent necessary to cover the total cost of the program.

Estimates of the total costs of the school food service program can then be made in terms of current prices for these different policies. The estimates should indicate the amounts and percent of the total under each policy assumption that will be financed by the federal government, by the state and local boards of education and by funds collected from pupils.

Capital Outlay and Debt Service. The costs of the on-going capital outlay needs can be computed fairly equitably in terms of weighted pupils or adjusted instruction units. However, capital outlay and debt service needs and costs are affected by:

1. The accumulation of unmet capital outlay needs.
2. The addition of new or expanded educational programs such as kindergartens and vocational education.
3. The growth or decline in pupil population.
4. The migration of pupils from one district to another

[2]See pages 277-278 for more information on computing the costs of transportation, see *Alternative Programs for the Financing of Education*, Vol. 5, Gainesville, Fla.: National Educational Finance Project, 1971.

district in the state.
5. The migration of pupils in one part of a school district to another part of the same district.
6. Variations in the purchasing power of the dollar.
7. The quality of the facilities provided.

In making long-range estimates of capital outlay and debt service costs, all of these variables and perhaps others should be taken into consideration.[3]

SCHOOL FINANCE TRENDS IN A STATE

Groups studying school finance in a state should make a study of pertinent school finance trends. The general public as well as decision makers on school finance are always interested in finance trends. School finance trends should be evaluated in terms of whether those trends:

1. Are consistent with the basic values and goals of the people.
2. Are in the direction of equalizing educational opportunities for all children.
3. Are consistent with the changing educational needs of the state.
4. Are consistent with the principles of equity to the taxpayers of the state.
5. Are consistent with other criteria as may be deemed appropriate.

School finance trends should be studied over as long a period of years as is deemed appropriate by the group making the study. However, a ten-year period is about the minimum length of time that should be considered.

Trends in Receipts

Trends in receipts for each district and for the state as a whole should be analyzed.[4] Such data should be available through the state departments of education in all states.

[3] See Chapter 12 of *The Economics and Financing of Education* by Roe L. Johns and Edgar L. Morphet, Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1969.

[4] If a state has an excessively large number of school districts, a stratified sample of school districts could be selected for study.

However, these data need analysis in order to be meaningful. Following are the minimum analyses that should be made:

1. Type of receipts.
   a. Revenue
   b. Non-revenue
2. Source of receipts.
   a. State
   b. Federal
   c. Local
3. Special analyses of revenue receipts.
   a. Total revenue receipts for each year in the period studied expressed in dollars of the same purchasing power.
   b. Revenue receipts per pupil for each year expressed in dollars of the same purchasing power.

Trends in Expenditures

Studies of trends in school expenditures should be made for the state as a whole and for each district in a state.[5] Data on expenditures should be available through the state departments of education in all states. Following are some of the studies that should be made of school expenditures:

1. Trends in current expenditures by appropriate functions or objects of expenditure expressed in dollars of the same purchasing power.
2. Trends in current expenditures per pupil expressed in dollars of the same purchasing power. Where possible, trends in program costs per pupil in dollars of the same purchasing power should be studied.
3. Trends in expenditures adjusted for differences in the purchasing power of the dollar for certain items such as average teachers' salaries, per pupil expenditures for transportation, per pupil expenditures for instructional supplies, and other appropriate items.
4. School expenditures should also be analyzed in terms of what has been purchased as well as what has been spent. For example, over a period of years, school terms

[5] *Ibid.*

frequently have been extended, summer terms provided, additional special programs and services have been added, the qualifications of teachers have been improved, and progress has been made in attaining the goals and objectives for a specific target population.

5. Trends in capital outlay.
6. Trends in debt service.
7. Trends in state and district indebtedness for schools.

EVALUATION OF A STATE'S FINANCIAL PLAN[6]

A comprehensive state school finance plan must deal with at least three major kinds of public policy issues:

1. The scope, content and quality of the public school program;
2. The organizational arrangements for providing public schooling; and
3. The level and method of financing public schools.

For convenience of presentation, criteria for state school finance plans may be grouped under these headings as they are below. However, the interrelated nature of the criteria should not be ignored when they are used in making a state study.

PROPOSED CRITERIA

Criteria Relating to Programs

The state school finance plan should:

1. Provide local school systems a level of support for an educational program commensurate with the relative financial ability of the state.
2. Include provisions for innovation and improvement in instructional programs.
3. Include provisions for the identification and evaluation of alternative methods of accomplishing educational objectives.

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[6]This section has been adapted largely from Volume 5 of the National Educational Finance Project entitled *Alternative Programs for the Financing of Education*. For a more complete presentation of methods of evaluating state finance programs, see Chapters 9 and 10 of that volume.

4. Provide a system for local districts to develop program and financial data which permit accountability to the public.
5. Substantially equalize educational opportunity throughout the state.

Criteria Relating to Organization

The state school finance plan should financially penalize or at least not financially reward:

6. The establishment or continuation of small inefficient school districts;
7. The establishment or continuation of small inefficient enrollment centers, except in cases resulting from geographical isolation;
8. The continuation or establishment of school districts which segregate pockets of wealth or leave pockets of poverty in the state or result in the segregation of pupils by race or socio-economic class;
9. The continuation or establishment of school enrollment centers which result in the segregation of pupils by race or socio-economic class.

Criteria Relating to Finance

The state school finance plan should:

10. Include all current expenditures and capital outlay and debt service in order to facilitate equitable budgetary planning for all phases of each district's educational program.
11. Recognize variations in per pupil program costs for local school districts associated with specialized educational activities needed by some but not all students, such as vocational education, education of exceptional or handicapped pupils and compensatory education.
12. Recognize differences in per pupil local district costs associated with factors such as sparsity and density of population, e.g., pupil transportation, extra costs of isolated schools and variations in cost of living.
13. Be funded through an integrated package which facilitates equitable budgetary planning by local school districts.

14. Utilize objective measures in allocating state school funds to local school districts.
15. Be based on a productive, diversified and equitable tax system.
16. Integrate federal funds with state funds and allocate them to local districts in conformance with the proposed criteria to the extent permitted by federal laws and regulations.

Application of Criteria. In order to apply these criteria, the following studies would need to be made:

1. The extent to which needed programs are provided for the various target populations.
2. The extent to which present educational programs meet the goals and objectives agreed upon for the different target populations. In other words, what are the unmet educational needs of the state for the different target populations?
3. The extent to which financial resources are equalized among the school districts of the state. The equalization of financial resources should be evaluated in terms of the extent to which the finance program equalizes the differences among the districts in wealth and also the variations among the districts in the incidence of high cost pupils.
4. The equity of the taxes used to support education. This study would involve an evaluation of the equity of the taxes levied and collected by the state and the taxes levied and collected by local school districts. The proportions of revenue provided by the federal government, the state and from local sources should also be considered.
5. The ability and effort of the state to support education.
6. Variations among the districts of the state in ability and effort to finance education.
7. Variations among the districts in percent of true value at which property is assessed.
8. The impact of school district organization on the efficiency of educational expenditures.
9. The extent to which present school laws reward inefficiency and penalize efficiency.

10. The extent to which present laws retard or prevent desirable innovations and change.
11. The comprehensiveness of the state's finance plan. That is, does the plan include all necessary school expenditures in proper balance?

Appendix A presents a method developed by the National Educational Finance Project to measure the extent of equalization of the state's school finance plan. A method developed by the National Educational Finance Project for measuring the relative progressivity or regressivity of a state tax structure is presented in Chapter 10 of Volume 5 of the National Educational Finance Project, entitled Alternative Programs for the Financing of Education.

DEVELOPMENT OF RECOMMENDATIONS FOR THE IMPROVEMENT OF PROVISIONS FOR FINANCING SCHOOLS

In developing plans for school financing, what options are available to state legislatures and other decision makers on school finance at the state level? Following are some of the options from which choices must be made:

1. Increase state revenue for schools and freeze local tax revenue at the present level.
2. Increase state revenue and also require or stimulate increases in local revenue.
3. Increase state revenue and require a decrease in local tax revenue.
4. Fund the schools completely from state funds (plus any federal revenue available) and abolish local tax revenue for schools.
5. Abolish state revenue for schools and fund the schools exclusively from local revenue (plus any federal revenue that is available).
6. Give local boards of education the authority to levy local non-property taxes.
7. Provide incentives for increasing local taxes by increasing the state funds for districts in proportion to increases in local tax effort.

8. Provide incentives or flexibility in the state finance program to encourage desirable local innovations and changes in the educational program.
9. Provide state appropriations for schools in the form of a series of categorical grants earmarked for specific purposes.
10. Provide state financial support for the schools in the form of an integrated appropriation which provides financial assistance for all necessary school expenditures.
11. Allocate state funds in such a manner as to leave districts with the same or greater differences in financial capacity to support education as they were before receiving state allocations.
12. Allocate state funds on the basis of a flat amount per pupil or per teacher and ignore necessary variations among the districts in unit costs or variations among the districts in taxpaying ability.
13. Allocate state funds on a basis that recognizes variations among the districts in the unit costs of education but ignores variations in local taxpaying ability.
14. Allocate state funds on a basis that ignores variations among the districts in the unit costs of education but recognizes variations among the districts in taxpaying ability.
15. Allocate state funds on a basis that recognizes variations among the districts in the unit costs of education and also takes into account variations among the districts in taxpaying ability.[7]
16. Establish state controls over state school funds which prevent their use with maximum efficiency and which inhibit local initiative and innovations for school improvement.
17. Avoid the establishment of state controls which result in inefficient use of state funds and provide state leadership which encourages local initiative and innovations for school improvement.

What would be the consequences of the adoption of each of these options? Space in this publication does not permit a

[7] See Appendix A for a more complete description of options 10,11,12,13 and 14.

detailed analysis of each of these options. Certain of these options are analyzed in some detail in the following publications of the National Educational Finance Project:

1. *Status and Impact of School Finance Programs*, Volume 4.
2. *Alternative Programs for the Financing of Education*, Volume 5.
3. *Future Directions for School Financing.*

ANALYZING THE IMPACT OF A STATE'S PROVISIONS FOR FINANCING SCHOOLS

It is important, helpful and revealing for a state education agency, a legislative committee, or some other group in a state to determine, from time to time, the impact and implications of the state's current provisions for financing schools. This determination will involve at least the analyses discussed below.

Revenues for Current Expense Available Through Basic State Provisions for Support

The *basic* impact and major implications can easily be determined by taking the following steps:

1. Determine the equalized value of property per student in average daily attendance (or average daily membership) in each district in the state that is operating both elementary and secondary schools. If weighted pupil data are available, it is preferable to use a weighted pupil measure.
2. Arrange these districts in order, based on the *equalized value* of property per student, placing the highest at the top of the list and the lowest at the bottom.
3. Select 15 or 20 of these districts for the study beginning with the most wealthy, using for example, every third, fifth or tenth district in decreasing order of wealth, and ending with the least wealthy (but include one or two of the largest city districts).
4. Calculate for each of these districts the amount of revenue available per student from (a) the uniform local required tax effort applied to all districts (even though such effort may not actually be required in some of the

most wealthy districts); (b) any state flat grant and foundation or equalization program funds provided for current expense in the district; and (c) the total.

5. Develop a composite bar graph for each district, with white portion, for example, to represent the funds available per student from the uniform local required effort, and a crosshatched portion to represent the state funds available per student from flat grants and foundation or equalization program purposes. The districts and the bars for the chart, as in the table, should be arranged in order from the most to the least wealthy district.

This table will provide the basis for determining, and the chart will illustrate dramatically, the impact of the basic state provisions for financial support of schools. Some of the major implications can, then, readily be determined. In many states it will be evident that *the laws and basic financial provisions*, probably unconstitutionally, *guarantee inequities for tax payers and tend to promote* — perhaps even to ensure — *inequalities in opportunities for students.*

Similar tables and charts can, likewise, be developed to determine and illustrate the impact of any important changes in the financial provisions that are *proposed for consideration.*

Additional Revenues Available for Support of Schools

This *basic* analysis does not include the amount available to each of these districts from: (1) state special purpose funds; (2) additional taxes voluntarily levied in the district to support the current school program; or (3) federal funds for current programs. As a next step, the amount per student available to each of these districts from each of these sources and the total should be given in new columns added to the table, and each bar in the chart extended appropriately by using, for example (1) horizontal lines for the portion showing the amount from categorical grants; (2) heavy dots for the portion showing the amount from voluntary local effort; and (3) vertical lines for the portion showing the amount from federal funds. This additional information will provide the basis for further analyses that make it possible to determine the impact of funds in each district from each of these sources and from all sources combined.

Thus far, relatively little attention has been given in most states to the impact and implications of state provisions for financing capital outlay and debt service for schools or equity for taxpayers and equality of opportunities for students. This area or aspect should be seriously considered in every state. It seems obvious that when no, or only token, state funds are provided for this purpose (as is still the situation in many states) such a policy inevitably results in serious inequities for taxpayers, and tends to ensure inequalities in opportunities for students.

Findings Based on NEFP Studies

The National Educational Finance Project staff made an analysis of the impact of the provisions for financing schools in every state in 1968-69, and developed a chart for each state based on the procedures described above. The Project selected, for the sample, the two largest districts in each state and fifteen other districts with 1,500 or more students selected at equal intervals ranging from the most wealthy to the least wealthy district in this category. These charts are given on pages 61 to 109 of Volume 4 of the National Educational Finance Project, entitled *Status and Impact of Educational Finance Programs*, and some of the implications discussed on subsequent pages.

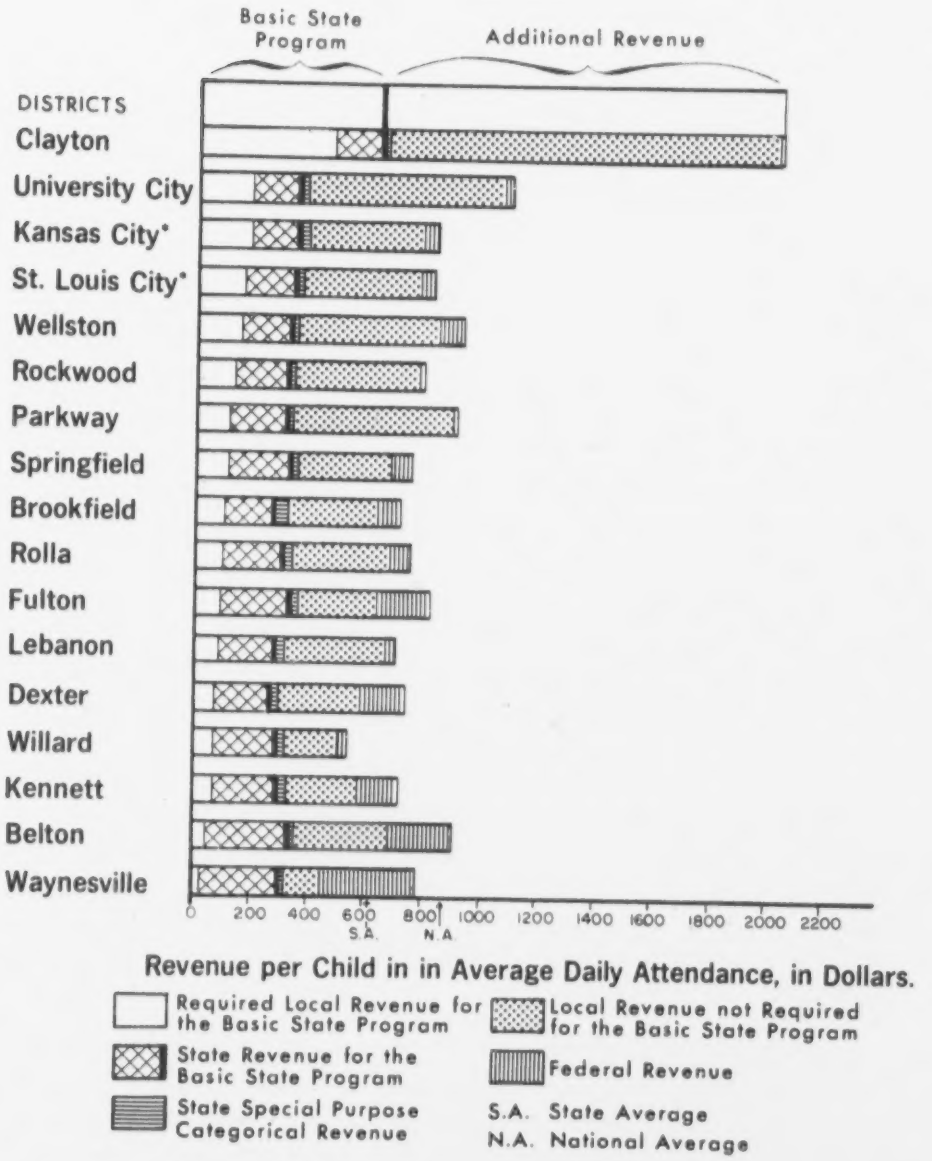
The computations for Missouri, for example, showed that Clayton (the most wealthy district) had 25 times the wealth per student as Waynesville (the least wealthy). The state provisions guaranteed in 1968-69 that Clayton would have available from the state funds provided for this purpose and the revenues received from the local required effort about two and one-half times the amount per student that would be available to Waynesville. The impact of categorical grants, additional local effort and federal funds in each district is also indicated for these as well as the other districts included in the study.

The following conclusions were pertinent for Missouri at that time:

1. The richest district in the sample received (1) 25 times as much money per pupil from the required uniform local required effort and (2) more than half as much money per pupil in state funds for the basic program as the amount per pupil received by the least wealthy district. Therefore, the funds provided for the basic

CHART 1

Revenues Available to Selected School Districts (Having 1,500 and Above in Ada and Ranging from the Most to the Least Wealthy) in Missouri for 1968-69



* The two largest school districts in terms of average daily attendance.

state program served to guarantee serious inequalities in opportunities for students and inequalities for taxpayers.

2. State categorical grants did not equalize educational opportunity.
3. Local leeway taxes in addition to the amount required for the basic state program greatly disequalized educational opportunity because the richest district could raise, with the same tax effort, 25 times as much money per pupil as the least wealthy district.
4. Federal funds had some equalizing effect in certain districts.

By legislative action Missouri has made considerable improvement in its state school finance program since 1968-69. A chart similar to Chart 1 for the same districts based on 1971-72 data would show that Missouri has made progress in reducing inequalities in financial support among its school districts.

SECTION VI

Analysis of Alternative Plans of State Support

Alternative proposals for state support can be graphically analyzed by the following method:

1. Assume that the same total amount of revenue will be available from all alternative models of school financing but the proportions from state and local sources will vary.
2. Assume that all districts levy the legal limit of local taxes.
3. Compute the number of weighted pupils (or adjusted instruction units) for each district, thereby taking into consideration necessary variations among the districts in unit costs.
4. Compute the equalized valuation of property per weighted pupil (or per adjusted instruction unit).
5. Arrange the districts in order of wealth from highest to lowest.
6. Select a sample of districts equally spaced from the most wealthy to the least wealthy.
7. Compute the following for each district in terms of the amount of dollars per weighted pupil (or adjusted instruction unit):
   a. From the required local effort (if any) for the support of the basic state program.
   b. From state revenue (exclude state funds provided for transportation in order to make all districts comparable).
   c. From local leeway revenue available above the amount required for the basic state program (assuming all districts levy the legal limit).

TESTING PROPOSALS GRAPHICALLY

The National Educational Finance Project constructed a prototype state consisting of actual school districts selected

from more than one state. The most wealthy district had approximately six times the equalized valuation per weighted pupil as the least wealthy district which is considerably less than the variation in most states. A number of alternative models were tested on the prototype state.[1] A few of these models are presented in the charts below. There were actually 32 districts in the prototype state and the sample of districts presented in the charts that follow include eight districts equally spaced in the distribution of districts ranging from the most wealthy to the least wealthy.

The average daily membership of the prototype state was approximately 1,000,000 and the total assumed revenue $810,000,000 or approximately $800 per pupil in average daily membership. The number of weighted pupils was slightly less than 1,400,000. Since the number of weighted pupils in the prototype state was 40 percent more than the Average Daily Membership, the amount of revenue per weighted pupil is considerably less than the amount of revenue per pupil in ADM.

Model 1. Complete Local Support Model

In studying these models, it must be kept in mind that the same total revenue is provided in all models, but the percentages derived from state and local sources vary and the amounts of revenue available to individual districts vary although the total revenue from all sources does not vary.

Under this model, all state funds are abolished and the schools are financed entirely from local funds. The legal limit on local school taxes is set at 32.6 mills on the true value of property in order to produce as much revenue for the state as a whole as the other models.

It will be observed from the chart for Model 1, that the most wealthy district in the state would have almost seven times as much revenue available per weighted pupil as the district with the least wealth, assuming that all districts made the same local tax effort in proportion to ability.

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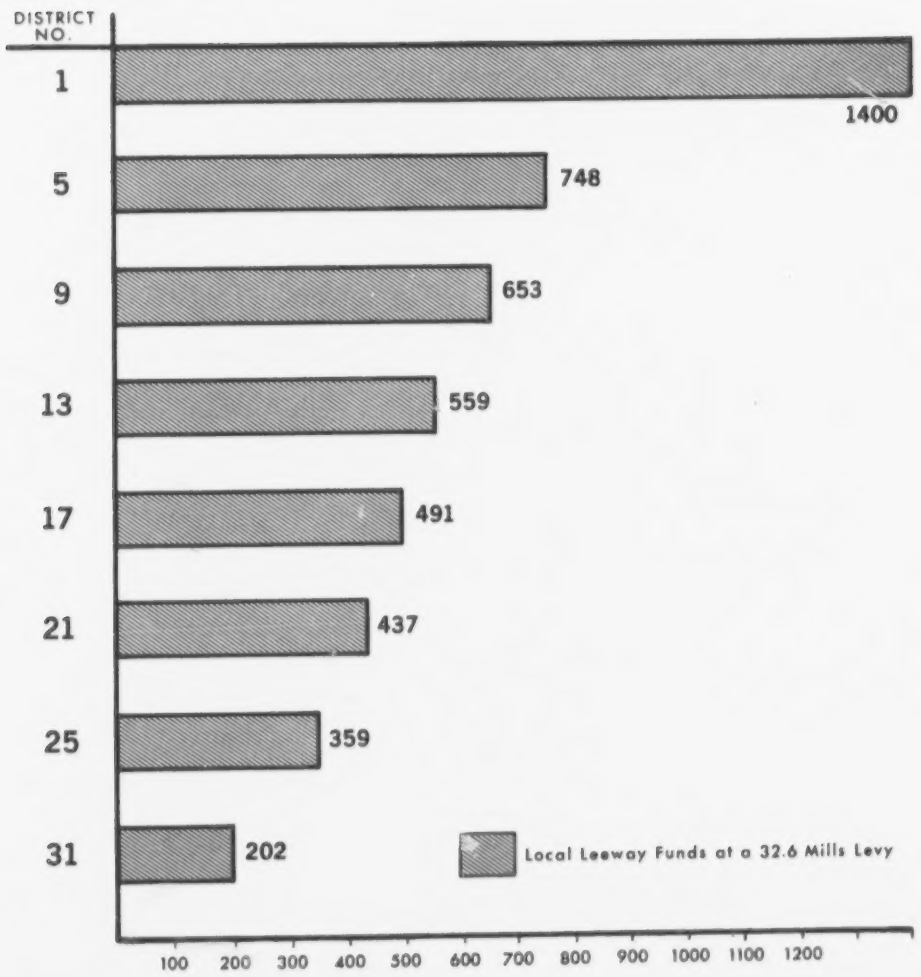
[1] See Chapter 10 of *Alternative Programs for the Financing of Education* Vol. 5, the National Educational Finance Project.

Model 1. Complete Local Support Model

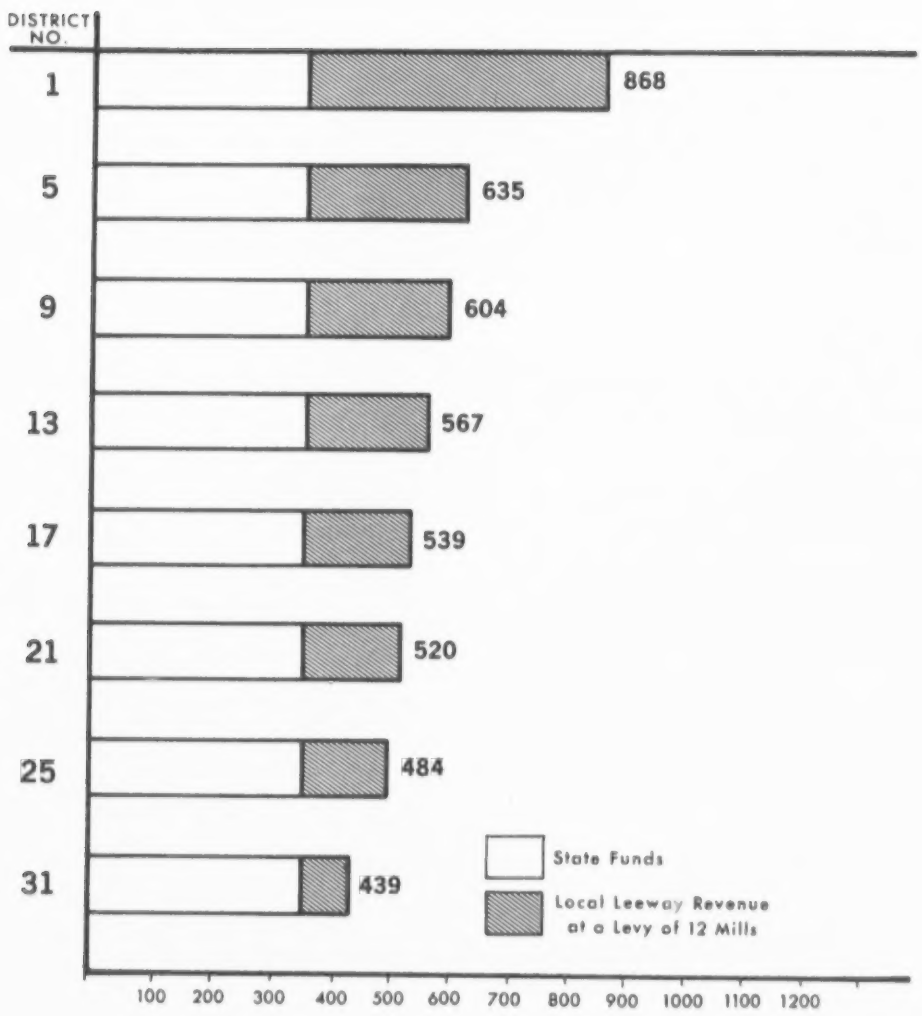


Model 2. Flat Grant Model

The chart for Model 2 shows that all districts under this model would receive the same amount of state money per pupil regardless of variations in local axpaying ability. The legal limit of local taxes was arbitrarily set at 12 mills[2] and sufficient state funds were provided to bring the total state and local revenue up to the total of Model 1.

[2]Those using this methodology for testing models could use either more or less than 12 mills in the chart and increase or decrease state funds accordingly so that the state total revenue would remain the same.

Model 2. Flat Grant Model



It will be observed that Model 2 is a great improvement over Model 1 with respect to the financial equalization of educational opportunity. The variation in revenue per pupil among the districts is reduced from a range of $1,400 to $202 to a range of $868 to $439.

Model 3. An Equalization Model with Five Mills Required Local Effort and Seven Mills Local Leeway

Under this model, the yield of five mills of local property taxes in a district is deducted from the cost of the guaranteed

state foundation program and the difference is paid from state funds and the district, in addition, has seven mills of local leeway taxes available beyond the minimum foundation program guaranteed to all districts.

Model 3. An Equalization Model With Five Mills Required Local Effort And Seven Mills Local Leeway

The state foundation program is set at a level so that when its cost is added to the seven mills of local leeway, the same state total school revenue is provided in Model 3 as is provided

under Models 1 and 2. It will be observed that Model 3 equalizes financial resources better than Model 2 because the per pupil revenue available to districts is reduced from a range of $868 to $439 to a range of $742 to $491.

Model 4. An Equalization Model with Ten Mills Required Local Effort and Two Mills of Local Leeway

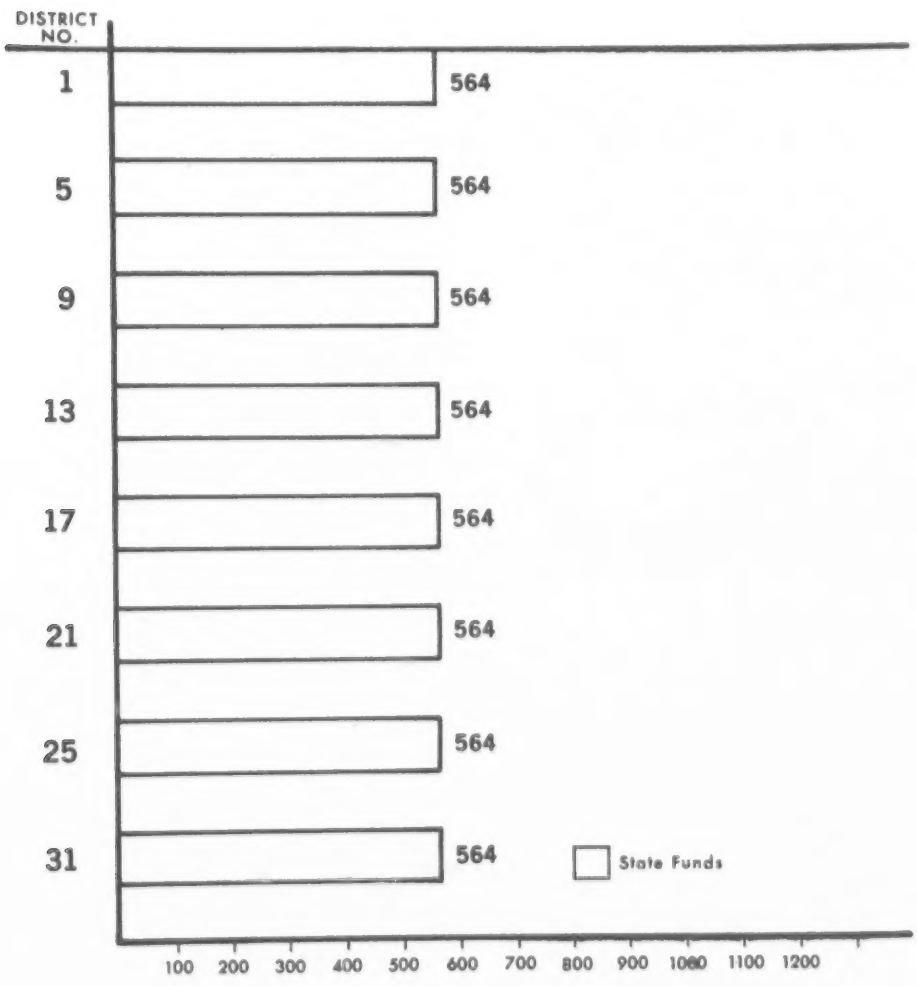
Model 4 is exactly the same model as Model 3 except that the required local effort is ten mills and the local leeway is two mills.

It is noted that increasing the required local effort for the foundation program and decreasing the local tax leeway

increases the equalization effect of the equalization model because the range in per pupil revenue for Model 3 of $742 to $491 is reduced to a range of $615 to $543 per pupil in Model 4.

Model 5. Complete State Support Model

Under this model, all local taxes for schools are abolished and the schools are financed entirely by the state (with the assistance of available federal funds).



The total revenue in the demonstration of Model 5 is exactly the same as the total revenue in each of the other

models. The complete state support model provides for complete equalization because there is no variation among the districts in revenue per weighted pupil. The full state support model could be funded entirely from state nonproperty taxes or the state might levy a uniform state property tax for schools transmitted to the state treasury and distributed to local districts in accordance with need along with state nonproperty taxes. A variation of this model would be for the state to require a uniform local tax levy for schools in all districts; the revenue would be kept locally but deducted from the computed cost of the foundation program in each district and there would be no local tax leeway for schools.

Model 6. Incentive Grant or Percentage Equalizing Model[3]

This model has been called: incentive grant model, percentage equalizing model, state aid ratio model and district power equalizing model.[4] This model has the following characteristics:

1. Variable levels of financial support per unit of need among the districts of a state are provided.
2. The level of financial support per unit of educational need of a district is determined by the local financial effort made by a district in proportion to its financial ability and not by its wealth per pupil or per unit of need. Under this model, a district with low wealth per pupil would have the same financial resources available per pupil or per unit of need as a district with high wealth per pupil, provided both districts made the same local tax effort in proportion to ability.

The state's share of the cost of the foundation program of a district under this model can be computed by multiplying the cost of the foundation program of any district by 100 percent minus a predetermined percentage figure which, in turn, is multiplied by the quotient of the equalized value of property of the district divided by the state average equalized value of

[3]This section adapted from Vol. 5 *Alternative Programs for the Financing of Education*, National Educational Finance Project, 1971, pp. 339-343.

[4]The power equalizing model theoretically sets no minimum or maximum on local effort.

property per weighted pupil. Let A equal the cost of the foundation program; D, the equalized value of property per pupil in the district; S, the state average equalized value of property per pupil; and E, the predetermined constant factor. Then the state aid for a district under this formula equals the cost of the foundation program

$$(A) \text{ multiplied by } [1 - (\frac{D}{S} \times E)]$$

The ratio of state dollars to local dollars for a district can be computed by the formula

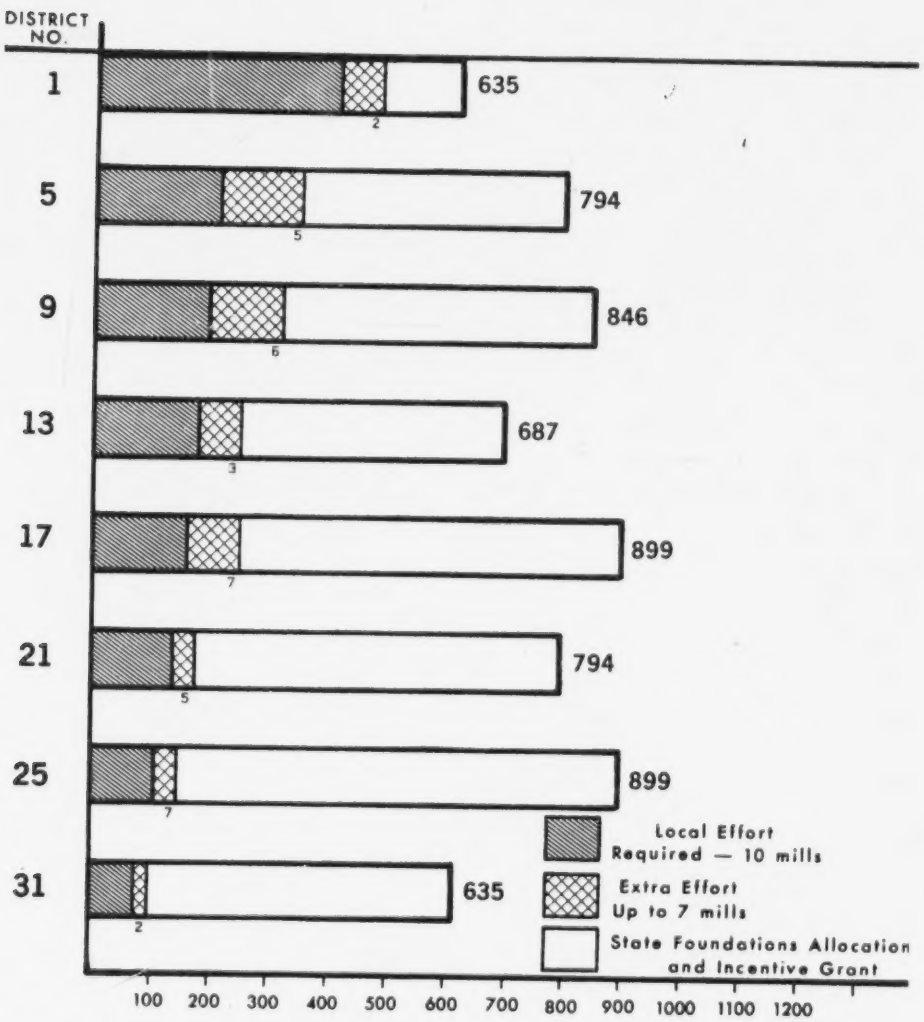
$$\frac{1}{1 - [1 - (\frac{D}{S} \times E)]}$$

If the state wishes to give an incentive to districts to make a local tax effort for school support in addition to that required for the foundation program and also make it possible for the less wealthy districts to have as great financial resources per unit of need as the more wealthy districts, the state can compute the additional state funds to which a district is entitled by multiplying the local revenue which a district raises in addition to that required for the support of the foundation program by the state aid ratio.

In the chart for Model 6, the incentive grant or percentage equalizing model is applied to selected districts from the prototype state ranging from the most wealthy to the least wealthy.

The incentive grant model was developed some years ago primarily to stimulate innovation and the improvement of the quality of education. It had been observed in some states that there was a tendency for the public to become satisfied with a fixed level foundation program and it was difficult to change the level of the program. It was theorized that if the state rewarded increases in local effort by state grants that an increased level of school financing would be stimulated. This policy, of course, establishes various foundation program levels within a state depending upon the level of local effort. However, experience with this model raises some serious

Model 6. Incentive Grant Or Percentage Equalizing Model



questions concerning the desirability of the incentive grant model. Following are some of the objections to this model:

1. It tends to disequalize educational opportunity within a state.
2. It stimulates an increase in local property taxes for school support despite the fact that too high a proportion of the school budget is already obtained from property taxes in most states.
3. Although under the incentive grant computed by the state aid ratio method, all districts regardless of wealth

could have the same foundation program level for an equivalent level of effort, there is no assurance that the districts which, at present, have the lowest quality of education will make the extra local effort needed. As a matter of fact, the districts which already have a high level of education of the electorate are the districts that place the highest value on education and those districts are the districts that are most likely to make a high local effort.

4. If no limit is placed on the local taxes for schools which will be matched on the state aid ratio, necessary non-educational functions of local government may be underfinanced in relation to education. This is especially true if the state does not reward local governments for financing local governmental functions. To base the allocation of state funds on the basis of "the more you spend locally, the more you get from the state" seems irrational because it may cause a misallocation of the priorities needed for various governmental functions.

Although the incentive grant model has some desirable purposes, it certainly has some undesirable side effects. It seems that better methods of stimulating innovation and change in the educational program could be developed than the incentive model. For example, the state could provide in its foundation program allotments to school systems for research and development and program improvement which would constitute a more desirable type of incentive. Although adequate financing is necessary for educational improvement, factors other than money such as state and local leadership, long-range planning, evaluation of alternative means for achieving desired educational goals, improved district organization, improved internal organization of districts, and other means can be used to improve the quality of education. It is beyond the scope of this volume to discuss these other means. Suffice it to say that it would seem a better policy for improvement of the educational program to utilize factors aimed directly at improvement of the educational program rather than a factor aimed directly at increasing local property taxes for schools. It is true that local property taxes for schools are negligible in some states. In such states it would seem to be

better policy for the state to mandate directly the needed increase in local property taxes for schools than to use the carrot approach.

Testing of Alternative Finance Models by a State Making a School Finance Study

A state in the process of developing proposals for changing its school finance plan can test these proposals by the use of alternative models. Data should be developed for the state making the study, similar to the data developed by the National Educational Finance Project for the prototype state. There are many variations and combinations of finance models. These can be evaluated by the methods used by the National Educational Finance Project.

Summary of the Findings of the National Educational Finance Project Concerning Alternative Finance Models[5]

The National Educational Finance Project tested all of the commonly used models (plans) of state support. Following is a summary of the conclusions derived from these tests:

1. State funds distributed by any model tested provide for *some financial equalization but some finance models provide more equalization than others.* Even the flat grant model provides for some equalization despite the fact that under this model each district, regardless of wealth or necessary variations in unit costs, receives the same amount of state money per pupil or other unit. This is due to the fact that the less wealthy districts receive more state aid per pupil than the revenue per pupil they contribute to the state treasury.
2. A flat grant model by which state funds are apportioned on the basis of a flat amount per pupil unit or other unit which does not take into consideration necessary variations in unit costs or variations in wealth per unit of need of local districts provides the *least financial equalization for a given amount of state aid of any of the state-local support models tested.*

[5] Those desiring a more complete discussion of state school finance models should refer to Chapters 9 and 10 of Volume 5 of the National Educational Finance Project, entitled *Alternative Programs for the Financing of Education.*

3. A flat grant model under which necessary cost variations per unit of need are provided for but variations in the per pupil wealth of local districts are ignored *provides for more equalization* than the flat grant model described in 2 above but it *does not equalize financial resources as well as the equalization models providing for cost differentials and variations in wealth.*
4. *Equalization models under which necessary unit cost differentials are provided for in computing the cost of the educational program equalized and which take into consideration differences in the wealth of local school districts in computing state funds needed by a district are the most efficient models examined for equalizing financial resources in states which use a state-local revenue model for financing schools.*
5. In equalization models, the greater the local effort required in proportion to the legal limit of local taxes for schools, the greater the equalization.
6. In equalization models, the greater the local tax leeway above the required local tax effort required for the support of the foundation program, the less the equalization.
7. Complete equalization is attained only under full state funding or under an equalization model which requires school districts to contribute the full legal limit of local taxes to the cost of the foundation program.
8. The higher the percent of school revenues provided by the state, the greater the equalization of financial resources under both flat grant and equalization models but there is always more equalization under an equalization model than a flat grant model for any given amount of state funds apportioned.
9. As full state funding is approached (100 percent of school revenue provided by the state) the difference between the equalizing potential of flat grant models and equalization models begins to disappear, assuming that cost differentials are provided for under each model. For example, with 90 percent or more state funding of schools, the differences between flat grant models and equalization models in equalizing financial resources would not be significant but the equalization models would always be slightly superior until full state funding is reached.

10. As the percent of local revenue is increased, the possibility of equalizing financial resources decreases.
11. A complete local support model provides for no equalization whatsoever.
12. The higher the percent of state funds, provided in relation to local revenue, the greater the progressivity of the tax structure for school support.
13. The higher the percent of federal funds provided in relation to state and local revenues the greater the progressivity of the tax structure for school support. This is due to the fact that federal taxes are on the average more progressive than state taxes and state taxes are generally more progressive than local taxes.
14. Many states can increase the progressivity of state taxes by increasing the proportion of state revenue obtained from relatively progressive taxes.
15. A state support model which provides incentives for increasing local taxes by increasing state funds allocated to local districts in proportion to increases in local tax effort tends to disequalize educational opportunity in a state because the educational opportunities for children are made dependent upon the willingness of their parents to vote for local taxes for schools.

EVALUATION OF TAX STRUCTURES

The determination of the relative desirability of alternative tax sources is an extremely complicated matter. Several criteria have come to be generally accepted by economists for use in evaluating tax structures.

Generally Accepted Criteria for Evaluation of Taxes

Following are the criteria listed by Due[6] which are commonly used for evaluating tax structures:

1. *Economic Distortions* — A major criterion is the establishment of tax structures in such a fashion as to minimize distorting effects upon the functioning of the economy — that is, effects that cause persons to alter

[6]See *Alternative Programs for the Financing of Education*, Vol. 5 of the National Educational Finance Project, p. 252, Gainesville, Fla.: The Project, 1971.

economic behavior in a fashion contrary to the objectives of the society.

2. *Equity* — The rule that governmental costs be distributed in a fashion regarded by contemporary society as equitable is generally accepted. What constitutes equity, however, is strictly a value judgment and there are wide differences of opinion. Usually equity is considered to require:
   a. Equal treatment of equals. Persons regarded as being in the same relevant circumstances should be taxed the same amount.
   b. Distribution of the overall tax burden on the basis of ability to pay, as measured by income, by wealth or by consumption.
   c. Exclusion from tax of persons in the lowest income groups, on the grounds that they have no taxpaying capacity.
   d. A progressive overall distribution of tax relative to income, on the basis that tax capacity rises more rapidly than income. This requirement is less generally accepted than the others. There is general agreement that the structure should be at least proportional to income.

3. *Compliance and Administration* — Attainment of the objectives of society requires that taxes be collectible to a high degree of effectiveness with minimum real costs (money and nuisance) to the taxpayers and reasonable cost to the government for collection. Inability to enforce a tax effectively at tolerable costs will cause loss of both revenue and equity.

4. *Revenue Elasticity* — Governmental expenditures tend to rise at least in proportion to national income even if programs are not increased. If tax revenues do not keep pace at given tax rates, constant rate changes are required.

It is impossible to develop an instrument which would measure objectively the relative standing of the states on each of these criteria. However, it is possible to measure at least with some degree of objectivity the extent to which a particular tax is regressive or progressive with respect to income.

Measuring the Extent to Which Tax Structures Are Progressive or Regressive

Economists, as pointed out above, generally use rather comprehensive criteria to evaluate tax structures. However, the lay public generally considers a progressive tax to be a good tax and a regressive tax, beyond certain limits, to be a bad tax. This is especially true of taxpayers with average or less than average income. Since taxes are levied by political processes, the political acceptability of a tax is of great importance to those involved in obtaining tax revenues for a particular function of government such as education. If a tax being used to finance a particular function of government is considered by the electorate as an excessively regressive tax, the electorate is likely to underfinance that governmental service, not because the electorate does not value that service but because the voters object to the type of tax being used to finance it. This is particularly true of the public schools. Although the property tax is generally considered to be the most regressive of any of the major types of taxes, in 1970 more than half of all public school tax revenue was still obtained from property taxes. Experts on school finance are generally agreed that many of the difficulties of financing the public schools can be traced to excessive reliance upon the property tax as the chief source of school revenue.[7]

Since the electorate is so greatly concerned about the regressiveness of taxes being used to support schools, the National Educational Finance Project developed a method by which the relative progressivity or regressivity of the tax structure of the federal, state and local governments can be measured. Space does not permit the description of that methodology in this publication. However, it is described in detail in Chapter 9 of Volume 5 of the National Educational Finance Project entitled *Alternative Programs for the Financing of Education.*

In its analysis of tax structure, the National Educational Finance Project found that graduated personal income taxes were the most progressive, followed in order by corporate income taxes, sales and excise taxes and property taxes. It was also found that federal taxes were the most progressive,

[7] *Ibid.*, p 253.

followed in order by state taxes and local taxes. Therefore, increasing the percent of school revenue provided by the federal government and the state governments increases the progressivity of school tax revenue. The states vary considerably in the progressivity of their tax structures. The states that derive high percentages of their revenue from state personal and corporate income taxes have more progressive state tax structures than states which derive little or no revenue from these sources. Increasing the percent of school revenue derived from local property taxes increases the regressivity of the tax revenues for schools and it also increases inequalities in educational opportunity in a state. *Therefore, increasing the percent of school revenue derived from state and federal sources not only tends to equalize educational opportunities but it also improves the equity of the taxing system used to support schools.*

MEASURES OF LOCAL EFFORT[8]

The measures of local effort in proportion to ability in the equalization models examined in this publication are based upon millage levies on the equalized value of property because 98 percent of all local school tax revenue is derived from property taxes. It is true that some school boards have the authority to levy a limited amount of local nonproperty taxes. The local taxpaying ability of school districts in reality is not their theoretical taxpaying ability, but rather a measure of their accessibility to local tax revenue. If a district only has the authority to levy property taxes then its local taxpaying ability (or effort to support schools) should be measured only in terms of the equalized value of the taxable property in that district. However, if a district has the power to levy local nonproperty taxes, such as payroll taxes, sales taxes, utility taxes, etc., then such local nonproperty taxes can justly be incorporated in the measure of the taxpaying ability of that district. As pointed out in Chapter 6 of Volume 4 of the National Educational Finance Project entitled *Status and Impact of Educational Finance Programs*, supporting schools by local nonproperty taxes disequalizes school financial support more than local property taxes. The state can levy and collect practically all important

[8] *Ibid.*, pp. 345-346.

types of nonproperty taxes more efficiently than local governments. *Since the use of local nonproperty taxes for school support increases inequalities in school support and promotes inefficiency in tax administration, it does not seem wise policy to encourage this practice.*

If a state uses an equalization model specifying the required local effort in terms of mills, the required levy should be based on the *equalized value* of property, not the *assessed value.* To do otherwise encourages local tax assessors to reduce the assessed valuation of property in order to obtain more state funds. The equalized valuation of property among the districts of a state can be obtained only through a state agency with the resources and the authority to make the studies necessary to determine equalized valuations continuously among the several taxing jurisdictions of a state. States using the flat grant model for apportioning state funds also have reason to utilize the equalized valuation of property because it affects the yield of a given local school levy.

Most states place legal limits on school levies. These limits are extremely inequitable if they are based on assessed valuation instead of equalized valuations. Unless there is vigorous state control, local assessors vary widely in percent of true value at which they assess property. If a state sets a limit of 12 mills on operating school levies and property is assessed at 40 percent of market value in District A and 80 percent in District B, the effective tax limit in District A is only 6 mills as compared with 12 mills in District B. If, however, the legal limit on school taxes in that state were 12 mills on the property equalized at 80 percent of market value, then the actual limit would be 24 mills in District A and 12 mills in District B. No study of school financing in a state is complete without a careful study of local assessment practices unless that state finances its schools entirely from state and federal funds.

A few states have used economic factors to develop by statistical methods, indexes for estimating the relative percent of the state total equalized value of property in each school district. If these indexes are carefully developed, they improve the equity of state equalization apportionment formulas. However, economic indexes for estimating the equalized value of property in a district are not as reliable as determining equalized value through a competent state agency which uses sales-ratios and direct appraisals to determine equalized value.

COST EFFECTIVENESS AND COST BENEFIT STUDIES

The purpose of this monograph is to present suggestions for making a comprehensive study of the provisions for school financing in a state at a given point in time. However, there are many important studies of school finance which might be carried on over a number of years. These are called longitudinal studies. Among the most important longitudinal studies are cost effectiveness and cost benefit. Cost effectiveness studies are concerned with determining the relative costs of alternate policies, procedures and programs for attaining specified goals that are not measured in dollars. Cost benefit studies are concerned with determining the relative dollar return per dollar input for alternate objects of expenditure or investment. Cost benefit studies in the field of education are more difficult to make than cost effectiveness studies because it is difficult to measure educational returns in dollars and it frequently takes many years to determine dollar benefits either to society or the individual.

Cost effectiveness studies of educational policies, procedures and programs can be made with more precision. Such studies are essential to making effective management decisions. Unfortunately very little money is allocated to cost effectiveness studies in education. There is a great clamor for innovations and change in education, both on the part of the lay public and professional educators. Many innovations are undertaken in education without any planning for cost effectiveness evaluation. This undoubtedly results in the wastage of a considerable amount of public funds.

It is beyond the scope of this publication to describe detailed procedures for making needed cost effectiveness studies. Following, however, are some general policies which should result in increasing the returns per dollar invested in education:

1. The state finance plan should provide adequate funds for research which would include cost effectiveness studies.
2. Every school system should establish and maintain a relevant management information system.
3. The financial accounting systems of local school systems should provide the information necessary for cost

effectiveness studies and other needed research. For example, the accounting system should provide the information necessary to determine the per pupil cost of each kind of program offered. The researchers for the National Educational Finance Project had great difficulty in determining the cost differentials for different kinds of programs because only a few school systems were found that could furnish accurate information on the relative costs of different kinds of programs offered in their schools.

SELECTING THE BEST SCHOOL FINANCE PLAN

After analyzing alternative finance models and other evidence bearing on meeting the educational needs of the state, what plan will be considered best for a state? *The answer depends largely on the values and beliefs of those making decisions on school finance in the state and districts.*

IF THE CITIZENS BELIEVE . .	THEY WILL PREFER
1. That educational opportunities should be substantially equal, but that districts should be left with some tax leeway for enrichment of the foundation program	An equalization model with tax leeway provisions for the district. The more equalization desired, the less local tax leeway will be provided.
2. That educational opportunities should be completely equalized financially.	A complete state support model or a completely state equalized model.
3. That all children, regardless of variations in their ability, talent, physical condition, cultural background or other variables, have a right to an education to meet their individual needs	A model that will incorporate the necessary cost differentials to meet the needs of all pupils.

IF THE CITIZENS BELIEVE . .	THEY WILL PREFER
4. That educational opportunity should be substantially equalized among the states	A model that provides a substantial percent of federal support apportioned in a manner to equalize opportunities among states.
5. That taxes for the support of public schools should be relatively progressive rather than regressive	A model that provides a high percentage of revenue from state and federal sources.
6. That public education should tend to remove the barriers between caste and class and provide social mobility	A model that does not promote the segregation of pupils by wealth, race, religion or social class.
7. That all essential functions of state and local government should be equitably financed in relation to each other	A model that does not encourage state and federal funds to be allocated to local governments on the basis of "the more you spend locally, the more you get from the central government."
8. That the educational output per dollar should be maximized	A model that promotes efficient district organization and efficient schools within districts.
9. That a "federal" system of government is most desirable — providing clearly responsible local, state and national authority	A model that will enable public educational decisions to be made at the lowest level of government where they can be made efficiently. Thus, decisions should not be made at the federal level if they can efficiently be made at the state level; states should not make decisions when they can be made efficiently at the local level.

IF THE CITIZENS BELIEVE . .	THEY WILL PREFER
10. That education for all is essential to the successful operation of a democratic form of government in a free enterprise system and that it is essential to the economic growth of the nation and to the fulfillment of the legitimate aspirations of all persons . .	A model of education sufficiently financed to meet each state's and each individual's educational needs adequately to enable each person to attain his highest level of potential.[9]

Recent court decisions may have narrowed the range of finance models from which a state can choose. The implications of those decisions are discussed in the following section of this monograph.

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[9] Adapted from *Future Directions for School Financing*. National Educational Finance Project, 1971.

SECTION VII

Constitutionality of Alternative Models[1]

K. Forbis Jordan
Kern Alexander

Traditionally state legislatures have had the privilege of considerable latitude in their options as they considered and enacted alternative public school financing systems. Even though the courts have historically upheld the legal principle that education is a state function and that state legislatures have plenary control over the public elementary and secondary schools in a given state, relative levels of revenue available to local school districts have often been overly dependent upon the concentration of taxable property in a given local school district. Situations vary among the states, but the general pattern has been for states to rely heavily upon the local property tax as a source of school revenue.

DEVELOPING LEGAL PRINCIPLES

Recent court decisions in four states[2] may well change the national pattern of support for public elementary and secondary schools. In essence, the litigation has contended that a "school financing system, with its substantial dependence on local property taxes and resultant wide disparities in school revenue, violates the equal protection clause of the Fourteenth Amendment" (to the Constitution of the United States).[3] The *Serrano* decision also states that "Recognizing as we must that the right to an education is a fundamental interest which cannot be conditioned by wealth, we can discern no compelling state

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[1] A more complete discussion of this topic may be found in Chapter 13 of *Financing Education: Fiscal and Legal Alternatives*, Charles E. Merrill, 1972.

[2] California (*Serrano v. Priest*, 5 *Cal.* 3d 584, 487 P. 2d 1241 (1971); Minnesota (*Van Dusartz v. Hatfield*, F. Supp. (D. Minn. 1971); Texas (*Rodriguez v. San Antonio Independent School District*, F. Supp. (W.D. Texas 1971) and New Jersey (*Robinson v. Cahill*, Superior Court of New Jersey, Law Division - Hudson County, Docket No. L-180704-69, January 19, 1972).

[3] *Serrano v. Priest, supra.*

purpose necessitating the present method of financing." Since the *Serrano* decision was issued by the Supreme Court of the State of California, legal critics may contend that it is applicable only to the jurisdiction of that court. Such contention is valid, and in fact, the Supreme Court of California merely remanded the issue to a lower court and directed that the original issue be tried on its merits. But, the nature of the decision and the dicta added by the court have resulted in its being considered as a "trend-setter" for future legal action in all states. Since the California pattern of support for public elementary and secondary schools is somewhat typical of that found in virtually all states except Hawaii, and possibly Utah, the prediction would appear to be well-founded.

In the body of the *Serrano* opinion several important legal points are presented which will have relevance to the discussion of the other cases in the series and will provide additional credibility to the "trend-setting" posture of the decision.

From the standpoint of legal precedent and the application of the equal protection provision of the Constitution of the United States in litigation of this nature, the matter of *education as a fundamental interest* is a crucial issue. In laying the groundwork for education as a fundamental interest, the court stated that education's role had two important aspects: "first, education is a major determinant of an individual's chances for economic and social success in our competitive society; second, education is a unique influence on a child's development as a citizen and his participation in political and community life."

Serrano did not ignore previous precedent to the contrary, but ruled that equal protection was denied when the state school financing "system conditions the full entitlement to such interest on wealth, classifies its recipients on the basis of their collective affluence and makes the quality of a child's education depend upon the resources of his school district and ultimately upon the pocketbook of his parents." Such state financing program "produces substantial disparities among school districts in the amount of revenue available for education." School financing programs which result in these disparities deprive pupils of equal protection, according to *Serrano* and the other related court decisions.

A similar issue was heard by the Superior Court of New Jersey — Hudson County,[4] one judicial level removed from the Supreme Court of the State of New Jersey. However, the *Robinson* case was concerned with provisions of the Constitution of the State of New Jersey as well as the Constitution of the United States. The New Jersey court found that "The present system of financing public elementary and secondary schools in New Jersey violates the requirements for equality contained in the State and Federal Constitutions. The system discriminates against pupils in districts with low real property wealth, and it discriminates against taxpayers by imposing unequal burdens for a common State purpose." This latter contention focuses on the problem of taxpayer equity as well as equal access of dollars for support of education.

In its opinion the New Jersey court went further and dealt with a "thorough and efficient" system of education supported by levies imposed uniformly on taxpayers of the same class. Even though this decision did not come from a court of record, the comprehensiveness of the decision and the magnitude of expert testimony suggest that the decision may well have the same "landmark" impact as the *Serrano* decision of the California Supreme Court.

In the second of the two Federal court decisions which form a part of this recent trend, a three judge Federal Court in Texas[5] found "merit in plaintiff's claim that the current method of state financing for public elementary and secondary education (in Texas) deprives their class (children throughout Texas who live in school districts with low property valuations) of equal protection of the laws under the Fourteenth Amendment to the United States Constitution." The court further stated that the question was not the simple lack of funds, but that the poverty was that of a governmental unit that the state itself had defined and commissioned. In additional discussion the relative disparity among school districts within the state of Texas was documented in the same fashion as in the cases involving the other four states in which decisions have been rendered. With specific examples the court illustrated that the wealthier school districts enjoyed both lower tax rates and more revenue per pupil than the poorer districts.

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[4] *Robinson v. Cahill, supra.*

[5] *Rodriguez v. San Antonio Independent School District, supra.*

Rather than contending that educational expenditures per pupil among school districts within the state of New Jersey should be equal under the interpretation of the equal protection clause, *Robinson* stated that "the word 'thorough' in the Education Clause (of the New Jersey Constitution) connotes in common meaning the concept of completeness and attention to detail." In further clarification the court stated as follows:

> This is not to suggest that the same amount of money must be spent on each pupil in the state. The differing needs of pupils would suggest the contrary. In fact, the evidence indicates that pupils of low socio-economic status need compensatory education to offset the natural disadvantages of their environment.

In various sections of the opinion *Robinson* indicated that programs for certain categories of pupils will cost more than will those for others, or there are differentials in the per pupil costs of various educational programs.

This finding is consistent with the findings of the satellite studies of the National Educational Finance Project.[6] However, it should be emphasized that the New Jersey court was ruling from the basis of Article VIII, Sec. IV, Par. 1 of the 1947 Constitution for the State of New Jersey which states:

> The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the state between the ages of five and eighteen years.

Previous court decisions have dealt with similar provisions in various state constitutions and have not applied the equal protection clause to the provision, but the extension of the equal protection clause to education and pupils places these typical constitutional statements in a different context — one which demands a more literal interpretation and extends their provisions to all pupils in the public elementary and secondary

[6] R. L. Johns, Kern Alexander, Forbis Jordan, eds., *Planning to Finance Education*, Vol. 3, Gainesville, Florida. National Educational Finance Project, 1971; National Educational Finance Project, *Alternative Programs for the Financing of Education*, Vol. 5, Gainesville, Florida, National Educational Finance Project, 1971.

schools of a state irrespective of the distribution of wealth among the school districts in that state.

In *Robinson* considerable attention was given to local educational decision making. The court supported the concept that "educational goals should be adjusted to community needs." However, the court also stated that "local control and responsibility cannot be used to justify a system which breeds substantial disparities in the quality of education." Supporting evidence of the disparities related to wealth differences among districts was documented in the opinion. In discussing the matter of educational programs, the court further stated that "School boards in poor districts cannot opt to institute special services when their budgets do not include funds even for essentials. In this sense local control is illusory. It is control for the wealthy, not for the poor." In subsequent discussion the court obliquely questioned the constitutionality of incentive, percentage equalizing, or district power equalizing programs when it stated that education was too important to be left to the mood or aspirations of the taxpayers of a given school district. These latter points were presented immediately preceding the principal statement of the court's finding, and were among the principal reasons supporting the decision of the court.

The body of the *Robinson* decision contained a discussion of an existing, but not fully funded, state support program which was based on a weighted pupil principle. In reviewing the impact of this program if it were fully funded, the court indicated that the legislative program "might also reach the constitutional goal in the poorer . . . districts, although they will remain at a disadvantage in competing with wealthy suburbs and . . . cities in dollars available . . ." The continued existence of unequalized local access to wealth seems to conflict with the general principle of the amount of available funds being a function of the total wealth of the state rather than the wealth of the child's parents and neighbors. Since the program has not been fully funded and the court did not have the opportunity to review the operational impact of the program, additional discussion would be mere conjecture.

The question of "educational need" was raised in the earlier *McInnis v. Shapiro* and *Burruss v. Wilkerson* cases,[7] but

[7] *McInnis v. Shapiro*, 293, F. Supp. 327 (N.D. I11. 1968), aff'd. mem. sub. nom., 394 U.S. 322 (1969): *Burruss v. Wilkerson*, 310 10 F. Supp. 572 (W.D. Va. 1969), aff'd. mem. sub. nom., 397 U.S. 44(1970).

defendants did not seek relief on that issue in *Rodriguez*. In *McInnis* the court refused to apply the equal protection clause because of the lack of a workable or judicially manageable standard which could be applied in determining the "educational need" of different groups of school children. In *Robinson* the New Jersey Superior Court recognized the differences in educational need among different groups of school children and considered an approach similar to the National Educational Finance Project's cost differential to meet the test of judicially manageable standards.

However, in *Rodriguez*, the plaintiffs did not ask that educational expenditures be equal or that educational need or cost differentials be considered in computation of school support; rather, they sought the application of the principle of "fiscal neutrality." "This standard requires that the quality of public education may not be a function of wealth, other than the wealth of the state as a whole." The court further stated that "*the state may adopt the financial scheme desired so long as the variations in wealth among the governmentally chosen units do not affect spending for the education of any child.*" (Our emphasis) In further clarification the court stated that "*The selection may be made from a wide variety of financing plans so long as the program adopted does not make the quality of public education a function of wealth other than the wealth of the state as a whole.*" (Our emphasis)

In *Van Dusartz*[8] the Federal District Court in Minnesota merely denied the defendants' motion to dismiss the case, but the court did conclude "a system of public school financing which makes spending per pupil a function of the school district's wealth violates the equal protection guarantee of the Fourteenth Amendment to the Constitution of the United States." In the Texas case the court retained jurisdiction for a period of two years so that defendants could take reasonable steps to comply with the "applicable law," and the Minnesota court retained jurisdiction but deferred "further action until after the current Minnesota legislative session."

In summary, all four cases have declared the legal principle that a state support program is unconstitutional if "it makes the quality of a child's education a function of the wealth of his parents and neighbors." In *Robinson* the court went further and

[8] *Van Dusartz v. Hatfield, supra.*

supported the concept of differing costs for different groups of school pupils, as well as contending that the requirement for a "thorough and efficient system of free public schools" was too important to be left "to the mood — in some cases the low aspirations — of the taxpayers of a given district, even those whose children attend schools in the district." In this instance the court appears to be endorsing a uniform support program for a given state, but one which contains the cost differentials or a programmatic budget related to various educational programs. However, the New Jersey court was the only instance in which this latter point was presented.

The findings of the four courts have been generally consistent in supporting the concept of a pupil's right to "equal access to dollars" irrespective of the wealth which may be located in the district of residence. The courts appear to have rejected any measure of "wealth other than the wealth of the state as a whole." This finding has monumental implications for state support programs in virtually all states, and will lead to revolutionary revisions of school support programs if the court decisions are extended to all states. A second pupil right might be phrased as "equal access to educational program" or a recognition of the varying educational needs of different groups of pupils. *Robinson* was the only case in which direct attention was given to this matter, but the other cases did reject the extension of equal protection to include equal educational expenditures per pupil among school districts within a state.

From the standpoint of research by the National Educational Finance Project, this latter point of "equal access to educational program" is most crucial in operationalizing the extension of the equal protection clause into the field of public education. In this context *Serrano* and *Rodriguez* have serious limitations in that they do not explore the responsibility of the state to provide greater resources for areas with high incidence of educational need. For education to meet the outlined responsibilities varying educational expenditures will be required to provide the range of educational programs which must be offered to sub-groups of the pupils in a given school district. In analyzing the distribution of pupils who require educational programs with different costs, NEFP research data indicate that such pupils are not distributed uniformly among school districts, with a resulting higher incidence of high cost pupils in one district than in another. This latter finding adds

further evidence to support the incorporation of cost differentials by the weighted pupil or adjusted instruction unit approach into state support programs.

ANALYSIS OF MODELS

Any discussion of recent legal developments would be incomplete without consideration being given to the reasonable alternatives which might be worthy of consideration in a state's efforts to devise a school support program which will meet the test of constitutionality as outlined in the previous discussion. Six basic models for state support programs have been presented in this "study guide." Each will be examined in the same order as presented.

Model 1. Complete Local Support

In view of the impact of the wealth differences as revealed in the graphical illustration of the application of this model to the data for the NEFP prototype state, this model obviously does not meet the equity standards established by the courts. NEFP research data suggest that this model would be unsatisfactory in all states, for their wealth differences among districts were found to be as great, or greater, than in the prototype state. *In Model 1, locally available revenues are totally dependent upon the wealth of the district, rather than the wealth of the state; therefore, it must be rejected.*

Model 2. Flat Grant Model

The degree of reliance upon the local district in determination of locally available revenues is less than in the previous example, but the variations in available revenues among districts are of such magnitude that *Model 2 must be rejected.*

Model 3. An Equalization Model with Five Mills Required Local Effort and Seven Mills Local Leeway

This model moves more toward meeting the test of "equal access to dollars" than the previous two, but the richest district

still has access to approximately 60 percent more revenue per pupil than the poorest district. *With this degree of disparity, Model 3 must also be rejected because it does not meet the equal access test.*

Model 4. An Equalization Model with Ten Mills Required Local Effort and Two Mills Local Leeway

Considerable progress toward "equal access to dollars" has been made through this model; the relative disparity in locally available revenue to finance the educational program is somewhat minimal. The richest district has approximately 10 percent more revenue per pupil than the poorest. If one takes a literal interpretation of the courts' admonition that available revenue should not be dependent on any *wealth other than the wealth of the state as a whole*, this model does not meet the test of equal access; however, the degree of variation is so minimal that it might be considered permissible. Heretofore, the courts' decisions have indicated what does not meet the test of equal protection. They have not identified a program which does meet the test, nor have they offered any standard other than the one emphasized in this paragraph.

An exception to the above principle is found in *Robinson* when the court indicated that a particular funding program might meet the constitutional test even though it resulted in a fiscal advantage accruing to the wealthy districts; the critical issue in this instance was that the funding program might meet the state constitutional test of a "thorough . . . system of free public schools . . ." even though it resulted in disparities in access to revenue among local school districts. *Model 4 provides for a minimal level of disparity in locally available revenues and possibly would meet the test of equal access if any variation would be permitted by the courts.*

Model 5. Complete State Support Model

In this model locally available revenues are a function of the wealth of the entire state and determined by the legislature; therefore, *Model 5 meets the tests which have been established by the courts.*

Model 6. Incentive Grant or Percentage Equalizing Model

Provisions of this model permit local districts to exercise discretionary judgment in determining levels of local effort to be made in providing school revenues. Locally available revenues are a function of the effort rather than the wealth of the school district; therefore, that test of constitutionality will be met through this model. However, the legality of this plan would be questionable if the contention of *Robinson* were to be upheld that education is too important to be left to the mood or aspirations of the taxpayers as would be the case under this model. If this legal principle should be applied to this model, it would be declared unconstitutional, for local discretionary decisions determine the level of effort (or tax rate) to be levied in the local district. *Model 6 cannot be classified with the same ease as the previous models, for it appears to meet the principal test of "equal access to dollars" but fails to meet the full range of criteria which have been established by the courts.*

Of all the models, Model 5 is the only one which meets all the requirements which have been set forth by the courts. Model 4 may be permissible, but additional clarification would be required to determine if that degree of variation would be permissible. Model 6 appears to meet the requirements of *Serrano* and *Rodriguez*, but fails to meet the full requirements of *Robinson*. Giving equal recognition to all three courts may be unfair, for *Serrano* was rendered by the Supreme Court of the State of California, *Rodriguez* by a three judge Federal Court and *Robinson* by a Superior Court of New Jersey. Traditional views of legal precedent would give far more weight to the decisions of the first two courts than to that of the last one.

Another option not mentioned in the earlier discussion would be to use the "negotiated budget" approach in allocating funds to local school districts. At first glance, this choice seems attractive, but it loses its appeal when consideration is given to the criteria or standards to be used in making the allocations, the quantity of man-time consumed in conferring with local school officials and approving their budgets, the power which would be concentrated in the state agency, and the lingering questions of equity or favoritism which would inevitably be raised. If standards and criteria for cost differentials became well developed and utilized in apportioning state funds

objectively, this approach would be Model 5 and constitutional. In the absence of criteria, an excessive amount of discretion would be concentrated in the state approval agency. This option is rejected because it would be virtually impossible to administer equitably and it would tend to centralize educational decision-making rather than to provide increased opportunity for educational decisions to be made as close to their point of implementation as possible.

Various revenue sources could be used to provide the funds needed under Model 5. Revenues could be allocated through the general fund of the state, earmarked taxes could be used to meet the appropriation requirements, or a uniform statewide property tax could be levied and collected locally or at the state level. If the tax should be administered locally, some districts might collect more revenue than their entitlement and be required to remit the excess to the state treasury for redistribution to other less-wealthy districts. This latter approach converts the local property tax into a state tax which is levied and collected locally.

> *The basic legal principle which has been established by the courts is that the quality of a child's education should be dependent upon the wealth of the entire state rather than the wealth of the district in which he resides. Further extension of the "equal protection" principle relates to the concept that varying educational programs are required to meet the individualized educational needs of different pupils, that these programs have different levels of cost, and that these pupils are not uniformly distributed among districts within a state; therefore, the cost differential approach must be incorporated into state school support programs before the goal of "equal protection" is completely attained.*
>
> *Finally, it is possible that courts in the future may hold with Robinson that "education serves too important a function to leave it also to the mood — in some cases the low aspirations — of the taxpayers of a given district, even those whose children attend schools in the district."*

APPENDIX A

The NEFP Typology For Measuring The Extent Of Equalization Of Educational Opportunity In A State

The basic assumptions back of the NEFP Typology are: Financial equalization is most nearly accomplished when the following two factors are met: (1) the varying educational needs of the student population are taken into consideration in the method of allocation of funds to the expending units, and (2) the variation of the ability among the local school districts to support education is reduced or eliminated through the utilization of state resources:

The NEFP Typology is based on the following more specific assumptions:

1. That local school funds in and of themselves, provide no financial equalization unless local variations in taxpaying ability are taken into consideration in the state's apportionment formula.
2. Assuming that a given amount of state revenue is apportioned to the districts of a state:
   a. No equalization is obtained if state dollars are required to be matched dollar per dollar from local funds.
   b. The first level of equalization is reached when state funds are allocated in the form of uniform flat grants per teacher or per pupil without taking into consideration necessary variations in costs and variations in local taxpaying ability.
   c. The second level of equalization is reached when state funds are allocated in the form of flat grants which do take into consideration necessary unit cost variations but not variations in local taxpaying ability.
   d. The third level of equalization is reached when state funds are allocated in the form of uniform flat grants without taking into consideration necessary

unit cost variations but which do take into consideration variations in local taxpaying ability.

e. The fourth and highest level of equalization is obtained from a given amount of a state revenue when it is allocated in such a manner as to take into consideration necessary variations in unit costs, and also variations in the taxpaying ability of local school districts.

Briefly, the NEFP Typology classifies local and state funds into five levels of financial equalization: Level 0 to Level 4.

State Funds

State funds are classified into the following five levels according to the criteria established below:

1. *Level 0 of Equalization:* When state funds are allocated in such a manner as to leave districts with the same or greater differences in local financial capacity to support education as they were before receiving state allocations, they are classified in Level 0. A method of state distribution which is classified as Level 0 is a minimum guarantee of funds to certain wealthy districts which are not entitled to receive state funds under strict interpretation of the equalization formula. Also, if districts were not entitled to receive as much under the equalization formula as they received under a minimum guarantee, the difference between what they should have received under the equalization formula and the minimum guarantee amount is classified as Level 0. The remaining amount that the districts were entitled to receive under the equalization formula is classified as either Level 3 or Level 4 described below, depending on whether educational needs are taken into consideration. The allocation in dollar for dollar matching grants without regard for differences in taxpaying ability of the districts, provide for no equalization and are also classified in the zero level of equalization.
2. *Level 1 of Equalization:* When state funds are allocated on the basis of a flat amount per unweighted pupil or unadjusted classroom unit basis (or some other method

which ignores unit cost variations in meeting the educational needs of the students) and when a required local share in proportion to the taxpaying ability of the local districts is not deducted before the apportionment is made, the funds are classified in Level 1.

3. *Level 2 of Equalization:* When state funds are allocated on a weighted unit basis (or some other method that recognizes unit cost variations in meeting the educational needs of the students) and when a required local share in proportion to the taxpaying ability of the local district is not deducted before the apportionment is made, the funds are classified in Level 2 of equalization.
4. *Level 3 of Equalization:* State funds are classified in Level 3 when they are allocated on the basis of unweighted pupils or some other method that ignores necessary variations in unit costs, but a required local share in proportion to the taxpaying ability of the local districts is deducted before the apportionment is made.
5. *Level 4 of Equalization:* When state funds are allocated on a weighted pupil basis (or some other method that recognizes unit cost variations in meeting the educational needs of the students) and when a required local share in proportion to the taxpaying ability of the local districts is deducted before the apportionment is made, they are classified in Level 4 of equalization.

It will be noted that the NEFP Typology is a continuum ranging from Level 0, which provides for no equalization, to the highest level of equalization which is Level 4.

Local Funds

Local funds can also be classified by using the NEFP Typology. The required local share in proportion to the tax paying ability of the local districts that is deducted from the total cost of basic program is classified as either Level 3 or Level 4 depending on whether unit cost variations in meeting the educational needs of the students are taken into consideration. The remaining local (leeway) revenue raised for the support of education is considered additional local revenue and is classified as Level 0 of equalization.

Scoring Method

The following method has been developed for scoring the equalization value of a state's finance plan.

1. Level 0 funds are assigned a score of 1 in order that other levels may be made proportional to it.
2. Level 1 funds have at least 5 times the equalization value of equalization Level 0 funds. As Level 1 funds approach 100 percent of total state and local funds, the equalization value of Level 1 funds approaches the value of Level 3 funds. Therefore, the equalization value of Level 1 funds should be computed as follows: [5 + (.02 X the percent of total state and local funds in Level 1 X 100)].
3. Level 2 funds have at least 20 percent more equalization value than Level 1 funds. However, as Level 2 funds approach 100 percent of state and local funds, the equalization value of Level 2 funds approaches the value of Level 4 funds which have the maximum equalization value. Therefore, the equalization value of Level 2 funds should be computed as follows: [6 + (.024 X the percent of total state and local funds in Level 2 X 100)].
4. Level 4 funds are assigned the maximum equalization value of 8.4 which is 20 percent higher than Level 3 funds.

Table 3 shows the ranking on equalization of each state in 1968-69.

TABLE 3

Ranking And Equalization Scores Of The States Based On The NEFP Typology For The School Year, 1968-69

Rank	*State*	*Score*	*Rank*	*State*	*Score*
1	Hawaii	8.400	26	Maryland	5.092
2	Utah	7.143	27	Virginia	5.085
3	Rhode Island	6.862	28	Texas	4.963
4	Alaska	6.628	29	California	4.841
5	Wyoming	6.543	30	Montana	4.810
6	Washington	6.368	31	Maine	4.804
7	Idaho	6.318	32	Nevada	4.779
8	Alabama	6.220	33	Massachusetts	4.536
9	Delaware	6.202	34	Oregon	4.535
10	North Carolina	6.148	35	Tennessee	4.521
11	Georgia	6.103	36	Minnesota	4.433
12	Kentucky	6.042	37	Arizona	4.355
13	Florida	5.995	38	Iowa	4.042
14	New York	5.957	39	North Dakota	3.931
15	Louisiana	5.929	40	Missouri	3.852
16	New Mexico	5.915	41	Michigan	3.844
17	Ohio	5.882	42	Kansas	3.820
18	Pennsylvania	5.879	43	New Jersey	3.754
19	Vermont	5.834	44	Indiana	3.704
20	Wisconsin	5.781	45	Oklahoma	3.691
21	Mississippi	5.744	46	Arkansas	3.647
22	West Virginia	5.578	47	Colorado	3.571
23	Illinois	5.398	48	South Dakota	3.420
24	Nebraska	5.378	49	New Hampshire	3.091
25	South Carolina	5.235	50	Connecticut	2.295